FINANCE – GENERAL

18 APRIL 1980 –

30 JULY 1980

SOUTH ROOD FM 16/5/80

58

Late report

Under General Mining's management, South Rood generally published its quarterly report within two to three weeks of the quarter's end. Under new management, publication appears to have become a moveable feast, taking anything up to six weeks from quarter's end to see the light of day.

Uninformed trading

Which is bad enough in itself, but in the six weeks since the end of the March quarter, and while outside shareholders have been in the dark over their company's performance, the share has traded above 800c (it is currently 625c) and in some weeks alone, well over 4% of the mine's issued shares have changed hands.

At risk of appearing over-critical, I feel that investors should be cautious on the shares. Everything depends on exploitation in the Gauff shaft area, where some 4 Mt of ore are reported grading 5 g/t. Reef widths are another matter — they are not specified, but it is probably safest to build in a significant factor for dilution.

Then there is the one-for-10 bonus issue in lieu of a dividend. Why that is being made is frankly beyond me. It does almost nothing to improve the share's marketability, nor does it add one iota to the worth of the mine. Management says the "specific purpose is to conserve cash resources to be used for development . . ." Have I missed something? Not paying a dividend conserves cash resources, issuing bonus shares certainly does not — though it might well keep some shareholders happy until operations start in the Gauff shaft area come September.

Bonus share issues are all very well for industrial companies with, theoretically, infinite lives. Mines are wasting assets and, as such, a portion of dividends should be applied to amortising one's investment.

For the present, and at least until there is more clarity on the discussions with JCI and the "new mine" to be served by the Gauff shaft is in a position to prove itself, the share should be reserved for speculative portfolios.

Jim Jones

DIAGONAL STREET

Do not disturb

FM 16/5/80

Over the past couple of weeks, the market has been waiting for something to happen. But despite a continued spate of good corporate results and external influences, brokers are concerned that the market is not reacting.

It seems that brokers have stopped looking at short-term influences such as the sparkling set of results put out by companies such as SAB, Barlows, S & L and the like. Declining interest rates in the US, likewise, are seen as overdone, with Morgan Guaranty cutting its prime to 16,5% this week though other banks have maintained theirs at 17%-17,5%. If the US authorities are already attempting to put some life back into an economy that they expect to experience only a sharp and short recession, brokers say, inflation and, ultimately, interest rates could be set to break back upwards, perhaps above the historic 20% levels of the last few weeks

One broker's explanation for the lack of reaction on the floor to the good profit performances of the major companies is that the institutions, particularly, are looking further ahead. These results were expected some six months ago, and current trading is being done on expectations for a year to 18 months hence, when the market will probably be in a new dip. The same broker — hopefully a pessimist — even questions whether the lack of action is not a sign that the market has peaked

Local interest rates put a bit of a stir into the market early in the week, with dealers still bothered that the government's 9,25% issue received as much support as it did. Institutional managers believe as much response could have been generated if the rate had been pitched between 9,1% and 9,15%, presumably indicating that Pretoria wants to see higher rates. The firm rate, along with a slowly climbing Treasury Bill rate (which stood at 4,4% after Friday's auction) are both giving indications of an upturn in rates which is keeping major investors out.

The seasonal "sell in May . . ." syndrome is also being quoted by dealers as a major factor, and some insist that there could be considerable steam left when business starts to pick up again next month. Stocks which have been supported by good results, but which have not reacted as yet, are certain to continue their rise in June, they say.

With the institutions again sitting on the fence for the better part of the week, and with the financial rand still fairly high at US$93,5c-94,75c so that foreign investors showed little interest, the man-in-the-street was again left to provide the brokers with their bread and butter business.

Among those stocks trading on recent results, Barlow Rand was the feature, moving up from 890c before publication of its interim to 970c on Monday, and easing to 965c on Tuesday evening. SAB rose from 305c a week ago to 313c as results came out, but it remained around this level for the rest of the time. Hillsam gained 20c on the week to 320c and Southern Sun dropped 15c over the week to 310c

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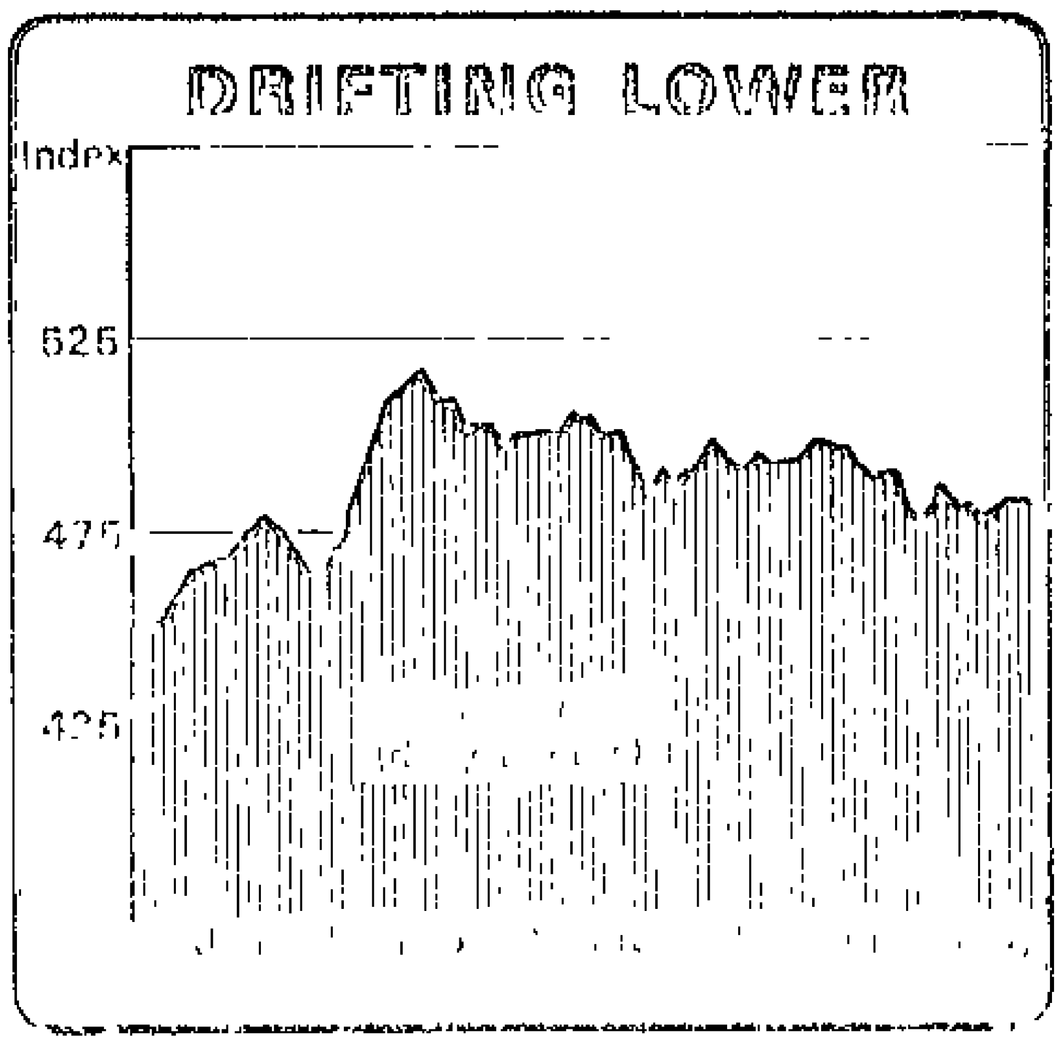
despite its impressive earnings. Turnover in the industrial sector drifted off slowly throughout the week to 1,5m shares on Monday and the *RDM* industrial index rose marginally from 482,9 to 485,8

The London sugar price rose sharply over the week on growing reports of worldwide sugar shortages as a result of disease and drought, and on Monday indications came through that the Thai sugar crop may be expected to drop around 700 000 t. As a result, local sugar shares remained firm, though any upside potential was trimmed by drought conditions in Natal which are expected to cut the local crop by as much as 20%. As one dealer put it, if the warehouses had been full of sugar, things would have been different. As it was, Tongaat rose 45c to 610c, CG Sugar was 20c up at 1 060c, but Huletts, which the directors say is less likely to be affected by the drought, eased 5c to 575c sellers.

Cape Wine's debut trading peaks eased from over the 130 000 shares a day mark last Monday to 114 000 at the beginning of the week, and the price had little in it to encourage further trading, losing 4c over the same period to 130c.

Bullion continued to be one of the major bug-bears in the market, with the indecisive trend leading to nervousness in share trading. Brokers are looking for a turn for the worse rather than for the better over the next few weeks unless major political factors come into play.



The *RDM* gold index fell slightly, after fluctuating all week, to rest at 536,6 on Monday (539,2). In line with the fall, Western Holdings dropped 240c to 6 300c. Rumour on the street is that announcement on the mine's participation in the Erfdeel Dankbaarheid [illegible] due soon. According to the rumour, Western Holdings is to increase its mill capacity by a monthly 90 000 t and Welkom by 60 000 t to treat ore from the new area. In addition, so the story goes, Western Holdings will provide a significant proportion of the new operation's development capex.

Which is the best share to be in for a piece of the action? That depends on the way you see things, but it might be unwise to ignore Duiker, which has 40% of the area's mineral rights and which could stay aboard for a free though lesser participation in the operation.

There was still some interest in Simmers and the price recovered to 283c by Tuesday night after dropping to around 260c at the end of last week. Rumours centre around a suspected tie-up between Peter Cain operation and [illegible] South Roodepoort attracted considerable interest but lost 25c on the week to [illegible], having broached 700c at one stage.

Other metals were little touched with platinum following gold in its sideways drift.

After trading at 200c Vryheid was suspended on negotiations on a take-out of the 31% minorities by Amcoal. Why Amcoal should want the mine is the subject of some speculation. In their report for the year to end-December, Vryheid's directors estimated that at current extraction rates the mine would be exhausted in 10 years, though extensions for a further two to three years might be possible. However, little change in 1979's 53,5c earnings is forecast for this year. Last year, dividends were 27c and capex will restrain this year's payout. Unless there are further plans for the colliery, at the pre-suspension price the mine's prospective yield seems unattractive to Amcoal, especially as life expectancy is relatively short.

Scott Hawker

Foreign bourses

	May 14 1979	May 5 1980	May 9 1980	Yield %
Amsterdam				
KLM	112	63	63	4 8
Philips	25	19	19	9 5
Robeco	161	160	162	8 8
Royal Dutch	142	153	152	8,1
Unilever	129	114	112	8 8
Industrial index	75	64	64	-

Narrowly mixed and rather quiet

	May 14 1979	May 5 1980	May 9 1980	Yield %
Frankfurt				
BASF	138	142	143	8 8
Daimler	281	246	258	6 1
Deutsche Bank	268	251	264	5 3
Siemens	250	260	263	4 8
Thyssen-Hutte	95	71	72	8,7
Commerzbank index	757	685	703	—

Widespread gains in lively markets

	May 14 1979	May 5 1980	May 9 1980	Yield %
Paris				
Imetal	72	105	111	5,1
Paribas	208	229	235	4 9
Pechiney	91	108	111	6,3
Saint Gobain	136	131	131	12,3
Usinor	11	13	13	
Paris Bourse index	80	95	98	—

Broad advance in rising volume

	May 14 1979	May 5 1980	May 9 1980	Yield %
Sydney				
Broken Hill	9,60	12,00	12,25	3,0
CBA	3,65	5,06	5 00	3 1
Myer Emporium	1,69	1,48	1,49	7,1
Pancontinental	4,90	5 30	5 80	
Western Mining	2,40	3,93	3,93	3,6
All Ordinary index	592	781	791	

Edged higher in subdued trading

	May 14 1979	May 5 1980	May 9 1980	Yield %
London				
BP	278	334	324	7,7
Barclays	482	426	427	6 2
ICI	392	376	373	8,7
GKN	285	276	267	10,4
GEC	430	376	371	2 4
Johnson Matthey	250	260	265	4 6
Marks & Spen	121	83	83	5 5
Reed	186	190	185	6 2
Rio Tinto	336	355	360	6 1
Rothmans	77	45	45	7 8
Stanchn	510	480	483	7 6
Unilever	633	423	403	8 4
War Loan 3½%	33	32	32	10 9
FT index	526	445	431	

	May 14 1979	May 5 1980	May 9 1980	Yield %
Tokyo				
Fuji	635	548	570	1,3
Mitsub	162	191	193	3 1
Nissan	705	680	690	1,1
Sony	2 090	1 930	2 010	1,2
Toyota	914	830	835	1 4
New Stock Exchange index	453	470	469	-

Treadless and much less active

	May 14 1979	May 5 1980	May 9 1980	Yield %
Zurich				
Boveri	1 830	1 745	1 775	2,8
Ciba Geigy	1 320	1 070	1 065	2 1
Credit Suisse	2 185	2 150	2 145	3 7
Swissair Bearer	830	760	755	4,6
Swiss Bank	382	368	369	2 7
Union Bank	3 205	3 310	3 310	3,0
Swiss Bank Corp index	324	291	291	—

Firm undertone in heavy turnover

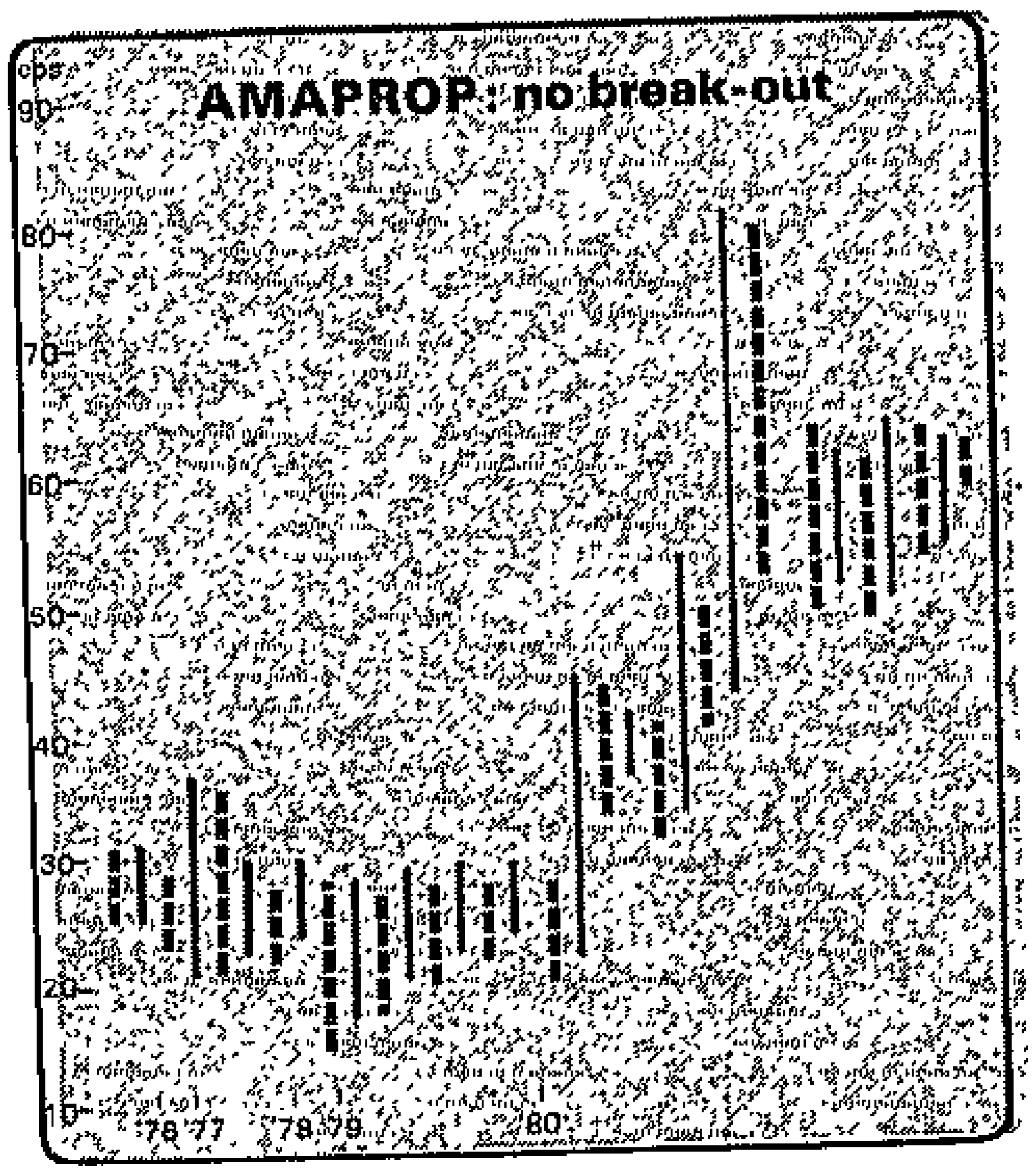
	May 14 1979	May 5 1980	May 9 1980	Yield %
New York				
Amax	33	44	42	5,7
Amer T&T	58	54	53	9,4
ASA	26	41	39	7 7
Bank of America	25	26	25	5.8
Chase	34	40	41	6,8
Engelhard	18	28	26	3,8
Exxon	50	26	60	8,7
Firestone	13	7	7	8 6
Ford	43	22	23	17,4
Gen Electric	49	46	47	6.0
Gen Foods	30	27	28	7,9
Gen Motors	57	45	42	5,7
Homestake	34	47	46	3,5
IBM	61	56	52	6,6
Inter Nickel	21	21	19	3,8
ITT	28	20	26	9,2
John Deere	35	30	31	6.1
Newmont	24	33	31	4,5
Phelps Dodge	24	28	27	5,9
US Steel	23	18	18	8,9
D-J Index	826	816	805	—

	May 15 1979	May 6 1980	May 12 1980
Indices			
UK Industrials (FT) (1935 = 100)	526 4	444,9	434/
Dividend Yield	5 6	7,9	f
Earnings Yield	14 9	19 4	2
UK Government Securities (FT) (1962 = 100)	73 1	68 3	67 5
UK Actuaries 672 Shares (FT) (10.4.1962 = 100)	269 4	252 8	249 2
US Ind (Std & Poor) (1941-43 = 100)	109 5	119 4	117,2
Dividend Yield	5 4	5 7	5,6
PE Ratio	8,3	7,3	7,3

AMAPROP 58 16/5/80

Reorganisation progress

Activities: *Property holding and development company with a 30% interest in the Carlton Centre. Controlled by Anglo American.*
Chairman: G Waddell.
Capital structure: *20,8m ordinaries of 50c; 10,7m deferred ords of 50c; 31,4m 7% cum redeemable prefs of 50c. Market capitalisation: R11,4m.*
Financial: *Year to March 31 1980 Borrowings: long- and medium-term, R33,4m; net short-term, R80 000. Debt:equity ratio: 94%. Current ratio: 1,5. Net cash flow: R650 000. Capital commitments: R520 000.*
Share market: *Price: 55c (1979-80: high, 80c; low, 18c; trading volume last quarter, 322 000 shares). Yields: 0,4% on earnings. PE ratio: 262*



Despite the surprise maiden dividend paid by the Carlton Centre and the recent R11,3m sale of Durban Bay House (*Property* May 9) it will still be a long time before Amaprop is worth another look as an investment.

Certainly, the company turned 1979's R523 000 pre-tax loss into a pre-tax profit of R251 000, but the debt burden of the company is still massive. Pref dividends are more than R7m in arrears and with interest-bearing debt standing at R44,5m, the R650 000 cash flow which exists before the unpaid pref div is taken into account is hardly more than a gesture. The debt: equity ratio at 98,9% reflects this uncomfortable situation.

Nevertheless, there have been recent moves within the Anglo stable which may start to alleviate some of the problems with which Amaprop has been faced over the past few years.

The sale of Durban Bay House, apart from releasing cash which can be used to lessen Amaprop's debt and interest burden also signals a change in emphasis within Anglo's property companies. It now seems that Sorec is being given control over new rental properties and new buildings, and Amaprop is to move further into the township market while steadily reducing its stake in the managed residential property side of operations as well

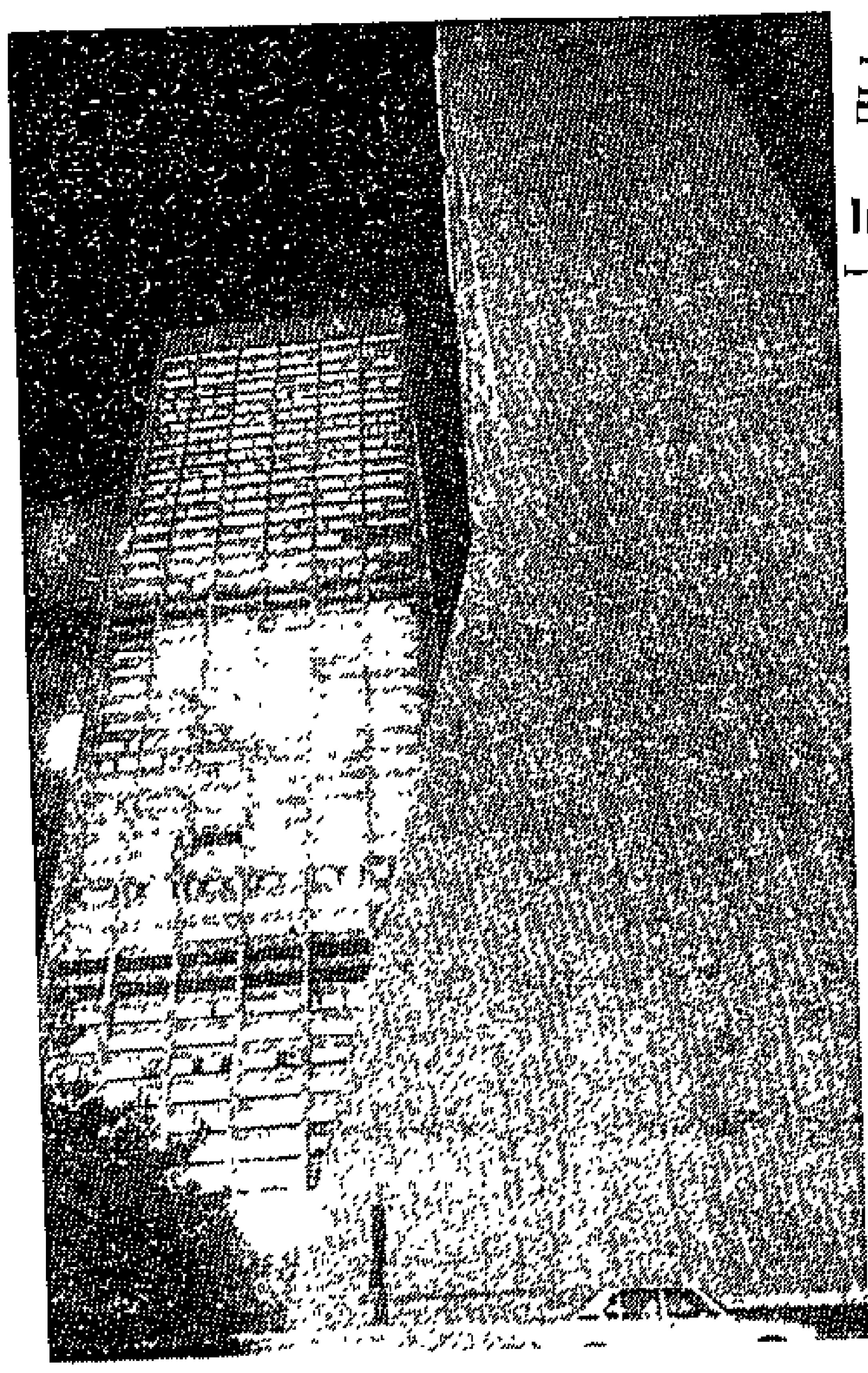
Over the past year, the company has sold its interests in Cabana Beach and Umhlanga Beach to Southern Sun for R8,8m, as well as some small property development and residential property companies in Pretoria which yielded a small surplus.

Chairman Gordon Waddell says the township-owning companies within the group reflect the revival of this area of the property market. Isipingo Property Investments, which operates Prospecton township near Durban paid a dividend of R262 000 during the year, of which half goes to Amaprop, while the Morningside, Sandton, township has been entirely sold and earnings will start coming in as standholders pay up. Morningside and La Lucia should provide profits over the next two years, Waddell adds.

As township profits are brought to book only when payment is received, while costs of sale are brought in immediately, the group has made a provision in the accounts of R566 000 for unrealised profit. During the year, the company re-valued many of its listed and unlisted investments, ending up with a transfer to non-distributable reserves of almost R9,9m.

Although there is some light at the end of the tunnel for Amaprop as a result of reorganisation of Anglo's property activities in general, and of Amaprop's own portfolio in particular, the outstanding feature of the account remains the company's debt position. Until this clears to a reasonable extent, the share at 55c, with a marginal earnings yield, can be avoided.

Scott Hawker



The Carlton starts to pay off . . . but there is still a long haul ahead

Exami-ners' Initials		

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16/5/80

BARLOW RAND LIMITED

(Incorporated in the Republic of South Africa)

Interim report to shareholders

for the six months ended 31 March 1980

Consolidated profit

The unaudited consolidated results of Barlow Rand Limited and its subsidiaries for the six months ended 31 March 1980, together with the results for the same period last year and the audited results for the year ended 30 September 1979 are:

	Six months ended 31 March 1980	1979	Percentage increases	Year ended 30 Sept 1979
	R000's	R000's		R000's
Turnover	1 517 081	1 041 512	46%	2 283 602
Group operating profit	195 202	125 387		290 188
Income from investments	17 531	8 770		24 735
Profits on sale of shares less amounts written off	1 137	—		732
Group profit before taxation	213 870	134 157	59%	315 655
Taxation	71 808	53 704		114 184
Group profit after taxation	142 062	80 453	77%	201 471
Attributable to:				
– outside shareholders in subsidiaries	49 931	26 692		63 044
– 6% preference shareholders in Barlow Rand Limited	22	22		45
– ordinary shareholders in Barlow Rand Limited	92 109	53 739	71%	138 382
Number of ordinary shares upon which earnings per share is based (000's)	122 155	*115 510		*116 641
Earnings per ordinary share	75,4 cents	46,5 cents	62%	118,6 cents
Dividends per ordinary share	18,0 cents	12,0 cents	50%	38,0 cents

*Includes preferred ordinary shares

Results, trading conditions and prospects for the year ending 30 September 1980

In general, the growth in profits and earnings per share reflects the improved performance of the South African economy. Earnings benefited further by a reduction in the effective rate of taxation arising from higher dividend income and through greater utilisation of taxation allowances on new plant and machinery.

A strong domestic market for stainless steel and sustained export demand for ferrochrome resulted in Middelburg Steel and Alloys earning higher profits. The mining division benefited from increased coal revenues. The improvement in consumer demand and the strong recovery in the construction and building industries resulted in higher turnovers and profits in the cement and lime, building materials and steel distribution, paint and packaging divisions. The household appliance and electronics division earned increased profits from household appliances but these were offset by lower profits in electronics. The profits of C.G. Smith & Co. Ltd were consolidated with effect from 1 January 1980. All the companies in the C.G. Smith group have performed well and their results have come up to expectations.

Income from investments rose sharply due to increased dividends from gold mining investments.

Whilst the economies of South Africa's major trading partners are entering a period of recession, it is unlikely that this will impact seriously on the South African economy this year other than to slow down growth of exports. With the large balance of payments surplus on current account likely to continue, the South African economy should remain strong for the remainder of this year. As a result, the group's earnings will show a substantial improvement over 1979 although the rate of increase in earnings recorded during the first six months is unlikely to be maintained.

Dividends

A preference dividend of 6 per cent for the half year ended 31 March 1980 was declared on 14 March 1980, payable on 30 April 1980.

An interim ordinary dividend of 18,0 cents per share has been declared and a formal notice of this declaration is published herewith. For the half year ended 31 March 1979 an interim ordinary dividend of 12,0 cents per share and a preferred ordinary dividend of 18,0 cents per share were declared.

For and on behalf of the Board

A. M. Rosholt (Executive Chairman)
G. W. Dunningham (Vice-Chairman)

9 May 1980

Ordinary Dividend No. 101

Notice is hereby given that a dividend of 18,0 cents per share has been declared as an interim dividend payable to shareholders registered in the ordinary share register of the company at the close of business on 30 May 1980.

The transfer books and registers of ordinary members of the company in South Africa and the United Kingdom will be closed from 31 May to 6 June 1980, both days inclusive, for the purpose of determining shareholders to whom the dividend will be paid. Dividend warrants will be posted to shareholders on or about 18 July 1980.

This dividend is declared in the currency of the Republic of South Africa and the rate of exchange at which the dividend will be converted into United Kingdom currency for the payment of dividends from the United Kingdom share transfer office will be the telegraphic transfer rate of exchange between South Africa and the United Kingdom ruling on the first business day after 27 June 1980.

In terms of the South African Income Tax Act, 1962, as amended, a non-resident shareholders' tax has been imposed on dividends payable to:

(a) Persons other than companies, not ordinarily resident nor carrying on business in South Africa, and
(b) companies which are not South African companies.

The company will accordingly deduct the tax from dividends payable to shareholders whose addresses in the share register are outside the Republic of South Africa at the rate of 14,0706 per cent.

By order of the Board

W. C. Warnner
Group Secretary

9 May 1980

Registered Office:
Barlow Park
Katherine Street
Sandton
2196 – South Africa
(P.O. Box 78-2248
Sandton
2146 – South Africa)

Transfer Secretaries:
Rand Registrars Limited
2nd Floor, Devonshire House
49 Jorissen Street
Braamfontein
2001 – South Africa
(P.O. Box 31719
Braamfontein
2017 – South Africa)

4827 LS-FCB

Volkskas Merchant Bank surges on

(58)

RDM 19/5/80

By HAROLD FRIDJHON

THE GROWTH of Volkskas Merchant Bank in the three years of its existence has been little short of spectacular. Total assets have more than quadrupled — from R45 800 000 to just under R192-million. Deposits have leaped from R21-million to R94-million. Shareholders' funds have increased 2|3 times to R10-million and disclosed profit is up from R450 000 to R1 500 000.

It might be said that with Volkskas holding 80% of the capital and playing the Big Brother, VMB could not but succeed. But the muscle from Pretoria is only a part of the VMB success story.

While the parent company might be useful in making profitable connections, VMB has forged ahead because of the enthusiasm, drive and imaginative creativity of its young management team which is jealous of its independence.

Indeed the flag of independence is boldly nailed to the mast in its current set of accounts — those for the year to March 1980. On the opening page the objectives and polices of VMB are set out, the most impoprtant of which is:

- To establish and develop a merchant bank, managed independently of Volkskas Ltd, through which specialised financial and banking services are provided in a creative, efficient and confidential manner to a wide range of clients both locally and abroad.

During the year VMB was the lead bank in the consortium which managed the Sasol issue. It was responsible for the restructuring of the Metkor group in which it has a large investment, and it restructured the Hortors and Picbel groups.

Volkskas Merchant Bank increased its share of primary issues in the capital market from 15% to 25,1% in 1979, raising R461-million. In addition it was appointed joint issuing bank for a number of issues including Escom, Johannesburg and the SABC. It was the lead bank for the Soweto electrification project.

The balance sheet shows that investments have increased in the past year from R29 300 000 to R54 200 000, of which R30 700 000 is in prescribed stocks, R11 500 000 in "other", which includes Metkor, and nearly R12-million in unlisted investments. Fixed interest-bearing stock — previously shown at cost — is now on the balance sheet at cost or redemption value whichever is the lower. This is noteworthy conservatism.

While clients' advances have nearly doubled to R27 500 000, bills discounted have dropped from R13-million to R5-million. The probable reason for this decline is the big increase in off-balance sheet financing. Contingent liabilities have more than doubled from R51 400 000 to R109-million.

Acceptances are up from R47 400 000 to R87 200 000, of which South African acceptances amount to R80 300 000.

Shareholders' funds are R10-million against total assets of R191 800 000. In his chairman's review, Mr Danie van Huyssteen says the capital of the merchant bank will be increased in the current financial year. Last year it was increased by the issue of 1-million R1 shares at a premium of R1 a share. The share premium was credited to reserves.

Mr Van Huyssteen says that VMB is in a favourable position to take advantage of the expected continued revival in the economy. He expects income to show a further increase.

18/05/80 ARGUS

(58)

Searles has jump in profit after takeover

SEARLES Holdings' pre-tax profit in the eight months to February was only 6,5 percent less than the R1,7-million in the full year to June last year.

The financial year-end was changed after G G M B Investments bought 66 percent of the company's shares.

Taxed profit was R1 001 700 against R1 192 320 in the previous 12 months.

Dividend payouts totalled R160 000 (R240 000) and earnings a share were 99,2c (122,6c).

The chairman, Mr D Bolton, says the results were mainly due to the successful efforts of the footwear division.

STRONG

The sawmill division recovered well after making substantial losses but the results of the homes division was disappointing.

Mr Bolton says the financial position of the group is strong and liquidity is satisfactory but inflation poses a problem, particularly in the cost of maintaining adequate stock levels.

He expects the progress made in the past eight months should continue in the current financial year.

● A final of 7c (5,5c) boosts **Dermacult** dividend payout for the year to March from 8c to 9,5c a share.

Taxed profit was up from R163 900 to R211 000. Earnings a share rose from 16,23c to 20,90c.

● **Progress Industries** is paying a dividend of 4c (nil) a share for 1979.

● Taxed profit of **Crookes Brothers** rose from R1,3-million to R1,7-million in the year to March.

Earnings a share were 67,8c (52,8c).

A final of 25c a share is being paid.

Mervyn Harris

The property market is expected to move ahead

(58) RDM 21/5/80

PROPERTY REPORTER

RICHARD Ellis Dunlop expects again to see all sectors of the property market continue to move ahead strongly for the next year in spite of the possibility that the Stock Exchange might peak and then fall back somewhat.

It says that share prices would have to fall sharply to seriously affect the bullish trend of property values that now seems to be very firmly based.

Richard Ellis Dunlop says: "It was noticeable during the early part of last year how difficult it was for the property market to take advantage of the present up-swing and to move away from the defensive psychosis engendered during the '70s. However, this attitude is now a thing of the past.

"During the next 10 years we expect to see fluctuations in the fortunes of the property market, but overall we believe the fundamental problems that beset the industry during the '70s have been overcome and the '80s should prove a good decade for property.

"The reason for this optimism is based upon a number of factors. Firstly, the industry has now attained a greater degree of sophistication arising from the bitter experiences of the last few years and certain lessons have been well learned.

For example, we believe that over-building on the scale of the recent past will not occur again in the foreseeable future.

"Secondly, over the last few years the property industry has started to learn to defend itself against the effects of hyper-inflation which only became a major problem from 1974 onwards.

"Because of the lack of mobility inherent in the property market, it has taken many years to adapt to the more volatile economic situations that are now a common occurrence.

"During the last 10 years there has been a considerable shift in the ownership of investment property from the private sector into strong institutional hands, and this should make for greater future stability.

"We believe some R200-million of institutional money is available for investment in property this year. However, it is doubtful whether such a sum will be able to be invested due to the lack of suitable investment opportunities.

"In 1978 17,4% of the long-term insurers' funds were invested in property and the figure for pension funds was only 5,2%.

There is obviously room for a considerable increase in property investments by both groups and particularly by the pension funds, now that many of them are reaching a size which will enable them to marshal the relatively large sums needed for property investment — this has been an inhibiting factor in the past.

Last year saw the institutions scrambling for existing property investments, particularly in the main city centres with the possible exception of Durban.

Little new development was initiated last year due to the over-supply of shop, office and industrial space. Vacancy factors have been dramatically reduced in all sectors of the market and in some areas definite shortages are now apparent.

As result, we expect to see some new Central Business District (CBD) developments being announced over the next year in addition to other developments right across the board.

A noticeable feature of property investment over the last 12 months has been a swing away from industrial leasebacks towards the multi-let CBD office and shop sector, which had been largely neglected for many years.

This was due to CBD property showing relatively attractive yields with excellent prospects for inordinate rental growth in the immediate future.

There has been a tendency for potential new tailor-made developments and leaseback situations to be funded by way of mortgage bond finance rather than by the lease-back of financial "take-out" route.

This has occurred due to the easy availability of mortgage bond money on relatively easy terms. The leaseback rates demanded by owners of blue-chip property of 9½%-10%, with 4½%-5% escalations on fixed 15-year leases, is no longer very attractive to institutions, with building costs projected to increase by 24% this year alone and with double-digit inflation likely to persist.

Leasebacks on fixed low returns and escalations are unlikely to keep pace with inflation over a 15-year period and, as a consequence, will probably prove to be poor investments offering no protection against inflation unless upward rent review clauses are inserted at regular intervals.

The unexpected sharp rise in the gold price has upset the confident forecasts of rising interest rates later in the year, that were freely predicted at the end of 1979. We believe that with the economy now gathering momentum, there could still be a rise in interest rates later in the year.

However, we, do not think that such a rise will have a marked effect on property values due to the large sums of institutional and other money chasing too few quality properties at the present time, unless the rise is severe.

This factor, tied to dramatically increasing rentals, should ensure growth in the value of good quality property investments for the foreseeable future.

FINANCE

21/05/80 ARGUS

SA must build 103 000 new houses a year

58

— ECONOMIST

MR Harvey Havenga has been appointed regional manager for the Western Cape of Barclays Insurance Brokers SA. He was previously manager of the Cape Town short term branch.

MR D MOFFAT has been appointed managing director of Mitchell Cots Projects SA (Pty)

PROPERTY men have been left in no doubt about the immense challenge facing their industry in the eighties and beyond.

The critical issues of spiralling costs, unemployment, and housing demand, all of which will be dictated by the political changes taking place, were the opening shots at the South African Property Owners' Association's two-day congress which opened in Cape Town today.

Firing the first salvo on housing and jobs, Mr A J de Vries, deputy director of the Bureau of Economic Research at the University of Stellenbosch, told delegates an estimated 103 000 houses a year for the next 20 years would have to be built — even if a low rate of urbanisation of blacks of only 45 percent were assumed.

UNEMPLOYMENT

With the South African population projected to increase by more than 1,2-million a year in the next two decades, 600 jobs would have to be created every working day.

'Unemployment of the present magnitudes and the possibility that this will increase even further, carries within itself the seeds of possible social and political unrest.'

Not only did the property industry have a vital role to play in training and education, but it must also provide the base for the new generations — the schoolhouse.

"There is a severe shortage of school facilities for blacks.

BACKLOGS

'Apart from backlogs, it will be necessary to build up to seven schools — for 500 children each — each working day in the nineties.

'About 50 percent of all black children are leaving school at present with, at most, four years of education.

'It is vital that they will have to stay for a longer period at school, but this will compound the backlog in accommodation.'

RISE IN RATES

While emphasising that the property industry, in line with the rest of the economy, had good prospects for the next 18 months, Mr de Vries warned against planning activities without taking into account the possibility of a 'fairly sharp' rise in interest rates.

The continued discipline in government spending, as well as the rationalisation of the public sector, would cause a further decline in demand for office accommodation.

'The already high prices for properties and rents, and the expected further escalation in building costs must, in the medium term, have a negative influence on the demand for your product,' Mr de Vries said.

FINANCE

21/05/80 ARGUS

CAPE BANK SHOWS BIG EXPANSION

58

Financial Editor

THE Cape of Good Hope Savings Bank, the only bank with its head office in Cape Town, had greatly expanded its business activities in recent months, the general manager, Mr Martin Laubscher, said today.

The bank, which is incorporated by an Act of Parliament, changed from a savings bank to a general bank last July.

Compared with the slack conditions of a year ago, the bank had lately experienced a healthy demand for property loans, Mr Laubscher said. Loans on mortgages, which had amounted to R30,6-million at the end of 1979 had risen substantially since then.

However, it had been in the field of hire-purchase and leasing that the bank had showed the greatest expansion of business.

NEW BUSINESS

Advances doubled last year to R7,3-million, with most of the new business being written in the second half of the year.

Since then there had been a further strong demand for leasing and hire-purchase finance. As a result the bank was approaching its lending ceilings.

The bank was playing an important role in financing local industrial development. Much of the leasing and hire-purchase advances this year had been for industrial equipment.

FINANCE FOR HOTEL

It was also providing finance for the Inn on the Square, the new hotel on Greenmarket Square in the central city area.

Its involvement in property included financing the Papenboom project for the construction of 26 town houses in Newlands Avenue.

It was also considering promoting sales under sectional title.

The bank continued to be strongly supported by the public of Cape Town. Deposits rose by 15 percent last year to R63,7-million.

BRANCHES

Two new branches — one in Rondebosch and one in the Strand concourse — were opened last year and it is planned to open at Bellville this year.

The bank, which because of its constitution has no shareholders, nonetheless increased its profit last year by 69 percent to R378 287.

Taxed profit was R230 344, which apart for a provision for donations, was transferred to reserves.

Assura higher

58

RDM 22/5/80

CAPE TOWN. — Assura, holding company of Santam Insurance Company, had a 25,2% increase in unaudited group profit after provision for tax for the six months to March 31, 1980.

Profit, after provision for tax, was R3 531 000 (R2 820 000) — 25,2% higher than the corresponding six months in 1979.

Earnings a share were 10,1c (8,1c) — a 24,7% increase.

Gross premium income of Santam Insurance Company, the major operational unit in the group, for the two periods was R71 512 000 (R58 403 000) and net premium income increased by 19,3% to R62 289 000 (R52 218 000).

The directors say that because of the nature of the short-term insurance industry, the results of the first six months should not be regarded as a basis for expectations for the full year. — Sapa.

Alexhow revamped

RDM 22/5/80

58

Financial Reporter

MR NATIË Kirsh's Constantia Insurance group is poised for expansion in a deal that involves a major restructuring of the listed broking group Alexander Howden (SA).

Effectively, Alexhow (SA) will sell all its insurance broking interests to the parent Alexander Howden group in London

Constantia will acquire the cash and share shell rump of Alexhow (SA).

A statement says: "Full control of Alexhow SA's insurance broking interests passes to Alexander Howden group in London.

"At the same time, in a move to obviate any future conflict of interest, Alexhow London will sell its entire shareholding in Constantia Insurance to Alexhow SA and simultaneously dispose of its entire shareholding in Alexhow SA to Nathan Kirsh & Associates.

"Kirsh will in this manner acquire 90% of Alexhow SA and minority shareholders will be made a standby offer of 133c a share by Kirsh

"As soon as possible thereafter Kirsh will change the name of Alexhow SA

"The details of the arrangements are such that Alexhow London acquires, through one or more of its wholly owned subsidiaries, all Alexhow SA's present insurance broking interests for R9 134 439

"Alexhow London's 1 050 000 shares in Constantia will be sold to Alexhow SA for R1 260 000 .

"Nathan Kirsh & Associates acquire the remaining listed shell of Alexhow SA at 133c a share.

"Alexhow SA's assets will consist of 1 050 000 shares and R7 874 439."

Guardian and Unsbic link up

58

RDM 23/5/80

By HOWARD PREECE

A MAJOR rationalisation in the short-term insurance market was announced last night with a coming together of Guardian Assurance and Union National South British Insurance (Unsbic).

Technically it involves a reverse takeover of Unsbic — and thus a JSE listing of Guardian — by Mr Donald Gordon's Guardian group.

Both Guardian and Unsbic are at pains, however, to describe the deal as a merger and not a takeover.

That invites some cynicism, but the fact that no money is changing hands, as it were, in the main deal does offer credence.

Minority shareholders in Unsbic will, however, be offered 350c a share which is 50% above the pre-suspension price

What the deal does confirm is that times are tough in the short-term market and that both Guardian and Unsbic feel happier about pooling their resources.

This is basically what is happening

At present Unsbic is 70% owned by the South British Insurance group of New Zealand.

Guardian is owned 75% by Guardian Royal Exchange, GRE, of Britain and 25% by Mr Gordon's Liberty Holdings.

Now Unsbic will acquire all Guardian's issued shares — the reverse takeover.

Unsbic will in turn increase its issued shares from 3 200 000 to 10-million.

The new shares will not, however, qualify for the 20c dividend that Unsbic will declare for the year to June 30.

These 10-million shares will be owned 50%-plus by GRE, 25% by South British, 15,5% by Liberty Holdings and the rest by general investors.

So South British will have 25% of the new Unsbic/Guardian against 70% of the old Unsbic.

Ultimate control of the new combine will be with GRE, but Mr Gordon will be the chairman and, clearly, the effective executive head.

A statement yesterday said: "The reconstituted Unsbic will be backed by capital resources and reserves of almost R33 500 000 as compared with the capital resources and reserves of Unsbic at June 30, 1979, of approximately R9 100 000.

"It is further proposed that Unsbic's name will as soon as is convenient be changed to incorporate Guardian.

"As a result of the proposed arrangements Unsbic and Guardian as reconstituted will have total assets of approximately R125-million with an annual net premium income from fire, motor, accident and marine insurance business estimated at R58-millon.

"Based on the taxed profit of Guardian for the year ended December 31, 1979, and the estimated taxed profit for Unsbic for the year ending June 30, 1980, combined taxed profit of the reconstituted Unsbic is estimated at R4 400 000, equivalent to 44c on the enlarged share capital of 10-million shares."

Mr Gordon and Mr Harold van Santen, chairman of Unsbic and deputy chairman "elect" of the new group, said last night that the short-term market was a tough one in which the combined assets would offer greater scope for risk underwriting.

Consure and Alexhow SA

RDM 23/5/80

227 Financial Reporter 58

THE preliminary results of Constantia Insurance, due for publication early next week, will be of special interest to Alexander Howden SA minority shareholders.

This is because, following Mr Natie Kirsh's latest deal, Alexhow SA now owns 26% of Consure as one of its only two assets. The other asset is the R7 900 000 in cash it received from Alexhow UK for its insurance broking operations.

Natie Kirsh & Associates are offering what they paid for control of Alexhow SA to minority shareholders. That was 133c cash, equivalent to net asset value.

With the share on 150c and prospects bright for a good set of results from the fast-recovering Consure, it seems that minorities will not accept and Alexhow SA will remain listed.

After the deal Natie Kirsh & Associates end up with 90% of Alexhow SA. They intend to sell as yet unspecified assets to the company, partly for the big cash holding and partly for new Alexhow SA shares.

Business Mail reported incorrectly yesterday that Consure would acquire the cash and share rump of Alexhow SA and that this spelled expansion for Consure.

In a nutshell, what has actually happened is: Alexhow of the UK has bought Alexhow SA's insurance broking operations, while Natie Kirsh & Associates have bought 90% of the Alexhow SA cash and share rump at net asset value.

The 26% stake in Consure previously held by Alexhow UK is now in the hands of Alexhow SA.

Lots of money for houses

58

RDM 23/5/80

Financial Reporter

THE inflow of funds into the building societies increased by 20% — R556-million — in the first quarter of 1980 compared with the first three months of last year, but while the rush of money went into savings accounts and shares, fixed deposit investments tumbled by 83,8%, according to the quarterly report of the Association of Building Societies.

The biggest increase was in savings which jumped by 232,6%. Share investments rose by 129,1%.

The shift of funds out of fixed deposits is probably an indication that investors are disinclined to commit themselves to long investments while rates are low. It is also an indication of the competition for funds.

But the societies are apparently liquid because the association's newsletter says "there is a ready availability of money for home loans at rates of interest which are attractively low when compared with rates applicable in overseas".

The newsletter says it appears that many prospective home owners are under the impression that building society mortgage finance cannot be obtained unless they have a deposit of at least 20% of the value of the property.

"It should be noted that the Building Societies Act makes it possible to grant loans in excess of 80% of the value, thus reducing the deposit required, provided collateral security is furnished for the excess of the loan over the normal maximum."

The collateral security can often be arranged by the building society through its insurers.

TONGAAT/LEWIS

FM 23/5/80

558

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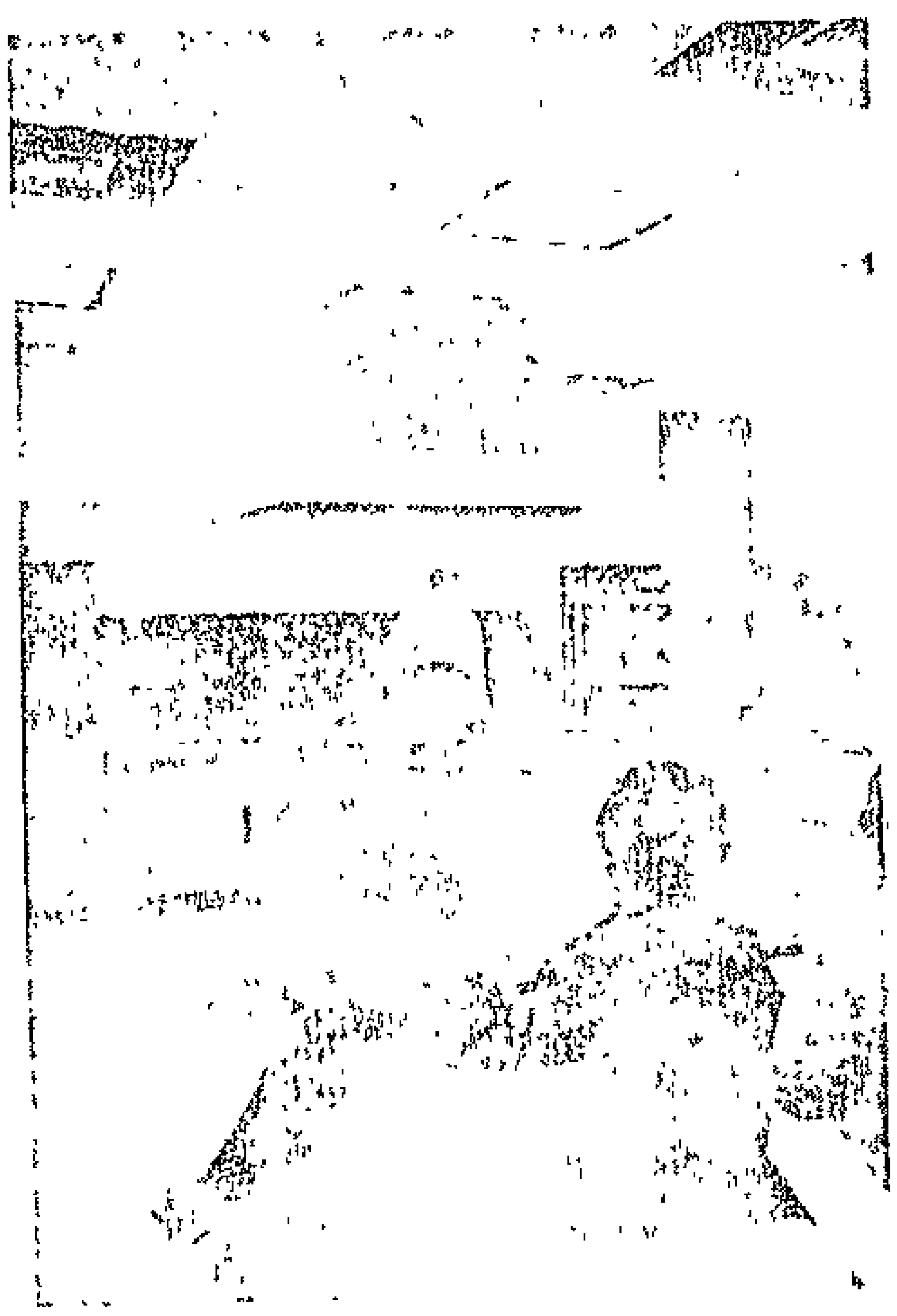
More diversity

Tongaat's R17,5m (850c a share) offer for H Lewis is generous, but must be qualified by the fact that Lewis has not yet released its results for the year to end February on which the offer, and its acceptance, should be based

At the half-way stage, Lewis's performance was only marginally better than in the first six months of the previous year, with earnings at 29c (38c). The interim dividend on the other hand was hiked from 9c to 12c So at 850c Tongaat's offer seems to be based on an attractive PE of about



Tongaat . . . cooking up a wider profit mix

9 Indications are that Lewis performed well last year, but probably not so well as to lower my estimated PE significantly If so, best advice is to accept, as have the 75% controlling shareholders including Premier Milling

Of course shareholders have to be grateful in part to Natie Kirsh who made an initial offer of 724c for Lewis, which was subsequently overtaken by Tongaat

At the same time, Tongaat shareholders are not being done down The acquisition will lead Tongaat into a couple of new operational areas including wheat milling and cotton ginning The valuable cottonseed oil and seed cake plants for animal feeds are additional advantages

'Lewis fits in well with our existing operations says Tongaat group MD Alan Hankinson, 'and we will have to make a careful study to decide what rationalisation can take place.' Most likely candidate for early rationalisation will be distribution operations in Natal

The takeover along with that of Hebotex which is currently subject to Supreme Court approval, will change the potential pattern of divisional profit contributions considerably admits Hankinson He is, however, reluctant to predict the effect of the new acquisitions on earnings in the current financial year

He does point out however, that, though the group's recent takeovers were all financed with cash, as well as some ordinaries in the Hebox deal and a private placing of prefs, Tongaat still has a healthy cash position

Tongaat's taxed profit in the year to end-March rose to R17m (R12,6m) and the total payout increased to 30c (23,2), covered a conservative 2,5 times (2,6) Given moderate organic growth in Lewis's earnings last year, and a further increase this year after absorption into Tongaat, it could contribute about 10c a Tongaat share this year.

On this basis and despite gloomy sugar predictions, Tongaat looks increasingly attractive with a 40c dividend within reach for the year. At 650c Tongaat thus yields a prospective 6,2%, which is good enough

Scott Baxter

FM 23/5/80

(58)

ALEXANDER HOWDEN

Looking for earnings

The 25c jump to 160c in Alexander Howden shares on the news of a major restructuring — the second in less than two years — is a reflection of the considerable faith the market has in the abilities of Natie Kirsh.

Natie Kirsh . . . now to turn cash into earnings

In a complex series of deals, Kirsh and various associates are acquiring 90% of Alexhow which, in turn, is in the process of converting itself into a shell. Its only assets will be R7,9m in cash and a 26% stake in Constantia Insurance (a 50%-owned Kirsh Industries subsidiary) worth R1,3m, received from the sale of its existing insurance broking activities to present UK parent, Alexander Howden Group (AHG).

From an operational view-point these insurance broking interests are completely unaffected by the transaction: the only difference is that they will now be wholly-owned by AHG and will no longer have a stock exchange listing.

Alexhow was reconstituted as an insurance broking group after the acquisition by AHG in 1978 of what was then Wellworths. Its initial operations in this field represented the merged activities of Hill Samuel (Pensions & Insurance Holdings) and I Kuper Insurance Brokers, but were later expanded by other acquisitions, the biggest of which was Nathan Lazarus Holdings. AHG held about 68% of the equity but this was recently increased to 90% with the purchase of the Alexhow shares held by Hill Samuel (UK).

With AHG now taking direct control of these assets, Kirsh and his associates are buying its enlarged stake in the shell at net asset value (133c) and will make a similar offer to minorities. Kirsh's next task will be to put the company's cash resources to work and, while no plans have yet been finalised, it appears that the intention is to sell existing Kirsh interests to the company, partly for cash and partly for additional shares.

It is reasonable to assume that one of these interests will be Kirsh Industries' stake in Constantia, increasing Alexhow's stake to 76%. If the price is the same as the 120c paid for the initial holding, it would cost the company R2,5m, leaving it with about R5,4m uninvested.

Until these plans are finalised — hopefully within the next couple of weeks — there is no way of accurately valuing the shares in terms of earnings and dividend potential. While the investment in Constantia may well prove profitable in the long run, it is non-income producing at present, with all profits being retained to consolidate and strengthen the company. The other assets to be injected into Alexhow will, therefore, have to be highly profitable if the company is to maintain its present dividend rate.

This problem is compounded by the fact that, under its old guise, the company had no need to retain anything more than a nominal proportion of earnings and had undertaken to distribute not less than 80% of profits.

Thus, in the year to end-December 1979 it was able to distribute 13,2c from earnings of only 15,7c, with promise of an increase this year as the more recent takeovers made a full contribution to profits.

If, for the sake of argument, the new group is to operate under a twice-covered dividend policy, it would have to earn about 26,5c simply to maintain the payment. This would need attributable profits of R1,8m and, on a normal tax rate, pretax profits of over R3m — quite a target with assets of little more than R9m.

JSE 58 FM 23/5/80

President's report

1979-80 was the best year ever for the JSE (see table) with "almost every record" broken. And President Richard Lurie seems reasonably confident that market is still firmly based, despite comparisons being drawn with 1969.

Lurie cautions, in his JSE President's Review for the year to end-March, against comparing the two periods, because the 1969 bull market was based on excessive speculation, and yields were then very low. The current bull market, says Lurie, is more firmly based following the introduction in 1971 of Section 13 of the Stock Exchange Control Act, which ensures there can be no build up of speculative positions that are not paid for within a maximum period of 14 business days.

In addition, Lurie sees the level of dividend and earnings yields currently available on selected shares as evidence that the bull market is more soundly based. 1969 and 1980 were preceded by three years of advancing prices. In April 1969, the JSE Actuaries index was 148% higher than three years previously, while in April 1980 it was 197% up on the comparable three years-ago level. But in 1969 dividend yields averaged 2,1% and earnings yields 3,9%. The equivalent figures today are 6,1% and 13,7% respectively, which, Lurie believes, show the market to be much more soundly based. With a favourable outlook for the SA economy it "appears the fundamentals are set fair."

	Current	Week ago	Month ago	Year ago
RDM 100	505,2	485,8	480,9	329,1
% change on		4,0	5,1	[illegible]
P/E ratio	6,4	6,2	6,2	[illegible]
Div yield	5,7	5,9	5,7	7,0
UK FT Ind	433,6	434,2	434,3	510,7
% change on		[illegible]	[illegible]	15,1
P/E ratio	6,1	[illegible]	[illegible]	[illegible]
Div yield	8,2	[illegible]	8,1	[illegible]
US Dow Jones	832,5	805,2	789,9	842,4
% change on		3,4	5,4	1,2
P/E ratio★	7,4	[illegible]	[illegible]	8,5
Div yield★	5,5	5,6	5,8	[illegible]
Gold price (in US $ on London)	507,0	513,5	505,5	263,9
% change on		[illegible]	[illegible]	[illegible]
Krugerrand (R mid)				
JSE last sale	530,0	535,0	510,0	253,7
% change on		[illegible]	[illegible]	108,9

★Standard & Poor index

Public buying price is 10% below, subject to negotiation

Lurie also advances as a reason why the JSE is a different animal now, the fact that selected equities are a hedge against inflation. However, a contrary view is that it is not necessarily true that this or current dividend yields will hold the market up at present levels. After all, the inflation hedge qualities of equities have been claimed before. And as for yields now being higher than in 1969, so too are interest rates and inflation, and those two are food for the bears. In 1969 the bank rate was 5,5% against a current 7%. And inflation was less than 3% compared with a current 13,5% as measured by the CPI.

Lurie covers himself, however, by warning that some sectors could fluctuate sharply this year, especially if bullion gyrates. At present, though, he believes, golds discount a bullion price of no more than $12·, but "there appears to be a considerable body of well-informed opinion that sees a steady improvement in the gold price over the year ahead."

HOW THEY PERFORMED

Market moves January 1979-March 1980

	Increase (decrease) %
SA Golds	110
SA Industrials	82
Hong Kong	54
Australia	45
Canada	43
France	19
Japan	1
US	(3)
UK	(9)
West Germany	(17)

The major bear point for the market is the US recession and the effect it will have on SA's non energy exports. But with real growth of over 5% in the local economy, industrial shares should reflect the upswing in activity and improvement in liquidity. South Africa's financial and economic climate must be viewed as more favourable than at any previous time in our history.

Richard Lurie . . . amongst the JSE bulls

DORBYL LIMITED

and its subsidiaries

FM 23/5/80 58

Interim statement of Unaudited Group Results for the six months

Unaudited group trading results

(in thousands of rands)

	6 months ended 31/3/80	6 months ended 31/3/79	Year ended 30/9/79 (audited)
Net income before taxation	9 708	7 981	18 669
Taxation	3 565	2 535	5 133
	6 143	5 446	13 536
Outside shareholders' interest	(365)	(240)	(705)
Provision for preference dividends	(190)	(201)	(402)
Net income attributable to ordinary shareholders of Dorbyl Limited	5 588	5 005	12 429
Number of new ordinary shares in issue	16 330 474	16 046 176	16 046 328
Earnings per ordinary share	34,2 cents	31,2 cents	77,5 cents
Estimated capital commitments	R8 100	R4 200	R7 732

Subdivision of ordinary shares

In order to improve the marketability of the company's shares it was resolved at the annual general meeting held on 20 February 1980, to subdivide the ordinary shares on the basis of two new ordinary shares for one existing ordinary share. Simultaneously all ordinary shares were converted to shares of no par value. The comparative figures of shares in issue and earnings per share shown above have accordingly been amended to take these changes into account.

Allotment of ordinary shares

The following ordinary new shares have been allotted during the six months ended 31 March 1980:

To holders of 12% convertible debentures in terms of options granted to them	260 146 shares
To executives in terms of the group management share incentive scheme	24 000 shares
Total	284 146 shares

Restructuring of the group

Shareholders are advised that it has been decided to restructure group management of operations by placing similar or related specialised operating facilities under common managements, within separate wholly-owned subsidiary companies. The directors are of the opinion that the restructuring of management and operations into these companies will provide improved services to the group's wide range of customers and result in greater motivation to management and employees.

The restructuring arrangement is designed to reduce operating costs and thereby, in the long term, have a positive impact on earnings of the group.

Your directors have therefore decided that the trading activities of the group will be conducted in future through the following wholly-owned subsidiary companies:

Dorbyl Heavy Engineering (Pty) Limited
Dorbyl Railway Products (Pty) Limited
Dorbyl Structural Engineering (Pty) Limited
Dorbyl Projects and Construction (Pty) Limited
Dorbyl Automotive Products (Pty) Limited
Dorbyl Marine (Pty) Limited
Dorbyl Properties Trust (Pty) Limited

In terms of the restructuring of operations, Dorbyl Limited will transfer at agreed values totalling approximately R42 000 000, the assets and liabilities from its various present operating works and divisions to the appropriate wholly-owned subsidiary companies referred to above. The net asset value per share of Dorbyl Limited's ordinary shares will be unaffected by these transactions. Furthermore, the proposed transactions should have no material effect on the current earnings of the group although the long term benefits of the restructuring arrangements should manifest themselves in subsequent years' results. Established trade marks, trade and product names will continue to be used by group companies where appropriate.

Establishment of new facilities

A new facility has been established at Sishen at a cost of approximately R1 200 000. This workshop will have as a base load the repair of off-highway vehicles mainly for Iscor. A new workshop, costing about R550 000 has also been established at Welkom to provide services for the mining industry in that region. The new facility at Mossel Bay has been established at a cost of approximately R123 000 and will provide services for the marine and local industries.

Directors

Mr. T. L. Roux and Mr. L. J. Wylie both retired as executives and from the board of Dorbyl Limited on 30 April 1980 after 37 years and 44 years service respectively.

Predicted earnings

Earnings do not accrue evenly throughout the financial year in the engineering industry therefore the earnings reported above for the six months to 31 March 1980 may not be representative of the expected earnings for the full year. It was predicted in the 1979 Annual Report that the current years earnings would improve and that an increase in the dividend would be achieved. Despite the difficulties being experienced by the industry as a whole with problems concerning the growing shortage of technically skilled manpower at all levels and also the shortages of certain raw materials, effective management action is being taken to overcome these and the group is confidently expected to meet the abovementioned predictions.

The industry serving South

918 Financial Mail May 23 1980

Directors:
C. D. Ellis *(Executive Chairman)*, D. Chapman* *(Group Executive Director)*
K. N. Jenkins *(Group Executive Director)*, F. H. Y. Bamford, W. G. Boustred
I. J. Cumming, M. Hall*, Prof. P. W. Hoek, W. B. Illman, K. N. Jackson, D. L. Keys
Dr. T. F. Muller, P. W. Sceales, C. R. L. Thorp, J. J. Vermooten
Alternate Directors:
L. Boyd, J. S. Pennington* (*British)

ended 31 March 1980

Dividends paid

The company paid all preference dividends on due date and an ordinary dividend of 62 cents per undivided share in respect of the financial year ended 30 September 1979 was paid to ordinary shareholders on 29 February 1980.

Declaration of preference dividends

The following half-yearly dividends have been declared by the company in respect of issued cumulative preference shares. Non-resident tax on dividends will be deducted where applicable and the dates indicated will apply:

	Registration Date	Closure of Registers (both dates inclusive)	Payment Date
5% Cumulative preference shares of R2 each	13/6/1980	14/6/1980	30/6/1980
5,5% Cumulative preference shares of R2 each		to	
5,75% Cumulative preference shares of R2 each		30/6/1980	

Payment of debenture interest

The following half-yearly interest payments will be made in respect of the undermentioned debentures. Non-resident tax on interest will be deducted where applicable and the dates indicated will apply:

	Registration Date	Closure of Registers (both dates inclusive)	Payment Date
9,25% unsecured debentures 1991/1996	13/6/1980	14/6/1980	30/6/1980
11,1% unsecured debentures 1991/1998		to 30/6/1980	

On behalf of the board
C. D. Ellis *Executive Chairman*
K. N. Jenkins *Group Executive Director*
DORBYL LIMITED

Registered Office:
6th Floor
Dorbyl House
Reserve Street
Braamfontein
Johannesburg 2001

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SUNDAY TRIBUNE, MAY 25, 1980

25/05/80 S. TRIB SUN. TR

Now Parliament to probe investments boards . . .

58

Why did Rand Bank go bang?

By DARYL BALFOUR and PETER MANN

IF THE name of the ailing Rand Bank had been removed from a list of financial institutions sent to all boards and municipalities, then the boards would not have invested millions just before the bank went into curatorship.

Some financial experts say it was possible to detect the Rand Bank was ailing as much as four months before it crashed when it submitted its monthly report to the Registrar of Financial Institutions.

Now the boards which invested in the Rand Bank have been summonsed to give evidence to a Parliamentary select committee on public accounts which is to submit its report to Parliament before the end of the current session.

Already some MPs are speculating the report is going to be "dynamite".

Director of Finance of the Port Natal Administration Board George Nieuwoudt said this week he invested the board's money in the ailing bank — although he was aware of its financial difficulties — because it was on a list of institutions approved by the Registrar of Financial Institutions and circulated by the Department of Co-operation and Development.

Insisted

The Port Natal Board invested R2,6 million in the Rand Bank — R1,1 million only days before the bank was placed under curatorship.

But yesterday the Registrar, Wynand Louw, denied any such list existed.

"We don't put out a list of any institutions which are approved or otherwise. I'm not even allowed to advise anyone — it would be entirely inappropriate for me to tell anyone to invest money here or not to invest there," Louw said.

But Nieuwoudt insisted the "mystery" list existed . . . and offered to produce it after the weekend.

"Nonsense"

"Mr Louw is talking nonsense if he denies it exists. We get it and so do municipalities — I was a town clerk once and we used the same list — and as far as I am concerned it is a list of institutions, approved by the registrar, at which we can invest," he said.

"We get it from the Department of Co-operation and Development and it's approved by the Registrar — who else could approve it?"

Mr Nieuwoudt said the Port Natal Administration Board had to write off R33 000 as a result of their Rand Bank investments.

Mr Rudie Raath, Secretary for Co-operation and Development, also denied his department recommended any institution for investments.

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Liquidity control is SARB aim

(58) RDM 26/5/80

By HAROLD FRIDJHON

AN OBJECTIVE of monetary policy in South Africa at present was to prevent any excessive increase in the overall liquidity of the economy, Dr Chris Stals, Deputy Governor of the SA Reserve Bank, told the Discount House seminar.

In pursuing this objective, consideration had to be given to the need for an increase in total liquidity to finance an expanding real economy. The authorities had to provide the economy with its liquidity needs, but at the same time they had to guard against the creation of surpluses.

It could be stated categorically that excesssive liquidity in this country tended to create distortions in relative interest rates and therefore in the flow of funds within the economy. It was also normally associated with excessive increases in the money supply which could affect adversely the rate of inflation. It could also encourage outflows of capital which might exert pressures on the cash foreign exchange reserves.

The huge surplus on the current account of the balance of payments added to the liquidity in the system. Unless this additional liquidity was absorbed by an outflow on capital account, the net reserves would increase and add to the liquidity of the banking sector and to the money supply.

At the same time bank credit to the private sector could not be unduly restrained as it was the accepted economic objective of the authorities to encourage real expenditure by the private sector.

The Reserve Bank was firmly set on a course of more active control over liquidity in the economy and relied greatly on its open market operations to influence liquidity conditions.

Total sales of Government stock, Treasury bills, and special tap tax Treasury bills amounted to R1 500-million during the bank's past financial year. As the Government was reluctant to create new paper, the Reserve Bank was prepared to issue debentures, but was waiting for the removal of several constraints, such as exemption from stamp duties and marketable securities tax.

The technique of intervention in the forward exchange market which had been used with great success in the first few months of this year had been temporarily shelved and the forward rates were now being adjusted regularly by the bank to remain more or less equal to the difference in the cost of financing trade transactions in the domestic or in foreign money markets.

Cash reserve requirements for banks against their liabilities to the public had been increased and these would be reconsidered in the coming months when the effects of this constraint could be better evaluated.

At present investors were reluctant to commit funds at current interest rates and were inclined to remain liquid. It was therefore difficult to sell fixed-interest paper.

"Although they might be enticed 'at a price' to make an investment, this price may be completely unrealistic, even in the context of the new situation that is expected to develop," Dr Stals told the seminar.

It was expected that some seasonal tightening of the money market would take place over the coming monthend, but liquidity would increase again early in June. The Reserve Bank was watching the position carefully and would probably have to absorb some liquidity in open market operations.

In the immediate future the bank's policy was to continue to offer Government stock to the market and ask the Treasury to make available on a tap basis stock of any maturity which the market might require. It was ready to issue its debentures and if necessary would advise the Treasury to increase the amount of Treasury bills offered at the weekly tender.

Futher issues would be made of the tax tap bills and the bank "will give serious consideration to the possibility of entering into swop transactions in long-term Government stock with large investors in the market who might want to keep their options open for funds destined ultimately for long-term investment."

Shortcomings of SA money policy

58 RDM 26/5/80.

By HAROLD FRIDJHON

SOUTH AFRICA'S techniques for controlling liquidity, inflation and interest rates evoked some criticism at a seminar on monetary policy and financial markets in this country, presented in Johannesburg by The Discount House of South Africa in association with the University of Cape Town.

The seminar was led by the eminent British economist, Professor Michael Parkin, now of the Hoover Institution of California and the University of Western Ontario in Canada.

The other participants were Dr Chris Stals, Deputy Governor of the SA Reserve Bank; Professor Diederik Goedhuys, professor of banking and finance at Wits University and economic adviser to the De Kock Commission; Professor Jan Lombard, professor of economics at the University of Pretoria, a member of the De Kock Commission; and a panel of banking experts which included Mr Brian Kantor, of the University of Cape Town.

The crux of this criticism lay in the wide swings in bank liquidity and the policy of trying to mop up this liquidity which is created by exports and savings. Particularly sharp remarks were made about the current low rates of interest when inflation is rising, and the control of bank lending instead of controlling the monetary aggregates. The central bank's intervention in the foreign exchange market did not meet with complete approval.

While some critical remarks were made by Professor Parkin in his summing up, they were also implied in the paper presented by Professor Goedhuys and in comments from Professor Lombard and some members of the panel.

Professor Parkin is a renowned monetarist and his review, "Monetary Policy in a Chaotic World" was a monetarist's exposition of monetary and economic developments in the post-war years. Predictably his conclusions were that the solution to world financial instability lay in governments basing their policies on a monetary standard based on a target growth rate for carefully defined nominal monetary aggregate — which simplified means on the money supply.

Professor Parkin is a fluent, articulate speaker. Persuasive, forthright, dynamic, with a delivery which compels attention. In his paper, he divided the post-war years into four distinct periods: 1945-1958 a period of reconstruction; 1958-1968, an era of peace, progress and stability; 1968-1971 the years affected by the inflationary financing of the Vietnam war, and 1971 onwards, an era of increasing chaos.

The golden period 1958-1968 was the Bretton Woods period when the centrepiece was a gold exchange standard with a fixed price of gold and with currencies valued in terms of gold or the dollar. And all the major currencies were convertible.

"Because the Bretton Woods years were so remarkably stable and the years since then have been so increasingly chaotic, it is tempting to draw the inference that monetary stability can be restored only by returning to a gold (or some other commodity) standard with pegged exchange rates."

That inference did not seem to be warranted, Professor Parkin said. Although the gold exchange standard did operate successfully for 10 years it contained within it the seeds of its own destruction. These were in the shape of internal inconsistencies arising from national attitudes towards appropriate long-term inflation rates. More important the system was unable to withstand a massive growth in public expenditure.

This was a political reality which would not be changed merely by the existence of a fixed price for gold or any other commodity.

"In the face of those political realities we need a monetary standard (or more precisely monetary standards) which stand some chance of delivering price stability . . . while at the same time accommodating different national views on appropriate inflation rates."

And further it must have as much built-in stabilising power as possible in the face of public expenditure and other shocks.

Although it was hard to persuade policy makers, the only policy that had so far been suggested that seemed to contain the appropriate ingredients was that of establishing a monetary standard based on a target growth rate for some nominal monetary aggregate.

This had been done in Canada.

In the long run, however price stability (and predictability) were the result of a political will to achieve that end.

If the political will was not present, economic instability would prevail.

"Monetary history," Professor Parkin said, "gives no assurance that the introduction of a gold standard would provide that political will where otherwise it is lacking."

Professor Goedhuys's paper, "Monetary Policy for the 1980s", examined foreign exchange policy, the central bank's regulatory practices and a view of financial markets and the rates of interest. Points he made:

- There could be no separate exchange rate policy. This fell squarely within the domain of monetary policy.
- Off balance sheet financing which developed because of an unrealistic interest rate structure was here to stay.
- The aim of stable money could not include stability of interest rates; they need to be variable if money was to be effectively managed.

"The attempt to keep investible funds artificially cheap is usually made in the vain hope that access to cheap money will afford borrowers cheap access to the things money buys . . . the prices of the goods and assets so financed soon rise accordingly as the money used to buy them is artificially cheapened.

"In other words, the intended interest benefit is discounted in prices, and those supposed to be helped by cheap credit lose their advantage in the inflated prices of the goods and assets they buy."

John Orr to repay 30c a share

Argus 27/5/80

30

58

SHAREHOLDERS of John Orr Holdings will get a payout of R2 226 000 from a 30c a share capital repayment, if proposals by the directors to reduce the company's capital are approved.

The payout is proposed for end July.

The stores group had a loss of R2,3-million before tax in the year to February compared with a R566 000 profit a year ago.

But a R5,7-million extraordinary credit, including proceeds from property sales, gave profits of R2,9-million after tax against R126 000 last year.

Earnings a share were nil (2,92c) before the extraordinary item and 56,2c (2,4) after.

Turnover rose 9 percent to R44,3-million.

● **Hunt Leuchars and Hepburn** is to make a one-for-10 rights issue, involving about R1,2-million new shares. The price will be set in early June. The finance raised is to pay for expansion by the group.

● Shareholders of **Field Industries** have approved the splitting of the South African and Zimbabwean operations of the company.

The scheme was proposed by Field's British parent company, Hunting Associated Industries, whose stake in Field Zimbabwe has been held through its South African subsidiary.

● **Hunt Leuchars and Hepburn** expects a further significant improvement in profits this year, Mr A I M Hepburn, chairman, says in the annual report.

He says the company is investigating a number of interesting acquisitions and internal growth projects.

● A 6c dividend is being repeated by the **Bank of the Orange Free State** in spite of a 39 percent rise in earnings to R900 000 from R650 000 for the year to March.

The bank intends to use its own resources more than in the past for its growing capital needs. Its venture into the industrial market with Bankovs Industrial Finance Services will make an important contribution to future profits, say the directors.

Tom Hood

UNIT TRUSTS

	Buy	Sell	Yield
Old Mutual	[illegible]	305,80	4,07
	(523,21)	(502,23)	(4,09)
NGF	205,52	191,88	5,84
	(204,54)	(190,78)	(5,43)
Sage	[illegible]	[illegible]	4,58
	[illegible]	[illegible]	(4,41)
USL	342,29	322,70	4,44
	(338,59)	(319,51)	(4,49)
Sats	147,95	138,05	4,06
	(147,48)	(137,60)	(4,07)
Sanlam	314,43	293,58	4,90
	(315,01)	(292,25)	(4,92)
Trust	105,92	97,05	4,14
	(105,02)	(96,15)	(4,17)
Santam	141,40	132,09	4,88
	(139,80)	(130,55)	(4,93)
Intergro	98,14	92,70	5,50
	(97,68)	(92,27)	(5,57)
Grdbnk	310,70	292,42	4,08
	(309,60)	(291,57)	(4,09)
Stndrd	210,47	200,06	4,37
	(211,65)	(200,60)	(4,35)
Standard Income	101,69	99,21	10,05
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Consure is back on dividend list

RDM 27/5/80 58 232

Financial Reporter

CONSTANTIA Insurance has declared a 6c dividend for the year ended February — the first payment the former Marine & Trade group has made since 1978.

Kirsh Industries bought Consure in May, 1978, and it incurred a shock loss of R1 745 000 R21 340 000 after accounting changes) for the year to June.

In the eight months to February 1979 a pre-tax profit of R76 000 was made — earnings of 1,9c a share.

For the 1979-80 year a profit of R705 000 was made (before and after tax because of previous losses), equal to 17,2c a share earnings.

A statement says: "Gross premiums written rose from R9 700 000 in the eight months ended February 1979 to R21 100 000 in the 12 months just ended. This is a 45,2% improvement on an annualised basis."

Non-motor premiums accounted for 18% of business written compared with 6% in the previous period.

The 1979 underwriting loss of R433 000 swung to a profit of R79 000, but net investment income dipped by 18% (on an annualised basis) to R626 000, "reflecting both the drop in interest rates during the past year and the fact that the company has a smaller balance of funds on deposit because it is settling claims more rapidly."

The statement says: "Not included in these calculations are two significant transactions that resulted in a substantial inflow of cash during the past year.

"First was a R1 100 000 profit realised on the 50% stake in Nedbank Mall, Consure's head office building; this was injected into the company two years ago when Mr Kirsh gained control.

"Second was a net R144 000, mainly on a surplus on the sale of Consure's stake in Anchor Life Insurance.

"These transactions boosted the total net income from R124 000 in the 1979 trading period to R1 900 000 in the year to February.

"The Kirsh group is in the process of raising its stake in Consure to 76%. "The original 50% was bought two years ago by Kirsh Industries, a public but unlisted company.

"The extra 26% is being bought by Alexander Howden Group (SA) as part of a reconstruction scheme that will see control of Alexhow pass to Natie Kirsh and Associates.

"It is planned to retain Alexhow's JSE listing, and to inject assets into it in addition to the shares in Consure."

COMMENT. The market tends to put a high rating on Mr Natie Kirsh's talents and the Consure results further explain why.

After the unexpected hefty loss of Consure in 1978 the share price took a tumble after having ridden from 75c to 125c on Mr Kirsh's involvement.

Mr Kirsh, as surprised as anyone by Consure's shock announcement, offered to buy back minority shares at the prices paid.

The results for 1979-80 and the share price rise to 150c sellers yesterday show how sensible most shareholders were to stay with Consure.

Horwood unveils new share proposals

58 (2) CDM 27/5/80

THE ASSEMBLY. — The Minister of Finance, Senator Owen Horwood, yesterday announced new legislative proposals for building society subscription shares

Speaking in committee on the Finance Vote, he said details of the proposals would be contained in the Income Tax Bill, soon to be introduced in Parliament.

He said he would outline some details to enable investors in subscription shares to understand the implications clearly and to have another look at their subscription share investments

For many years dividends on subscription shares had been totally tax-free. This had been an incentive for the middle-income group to save regularly and to build up capital

In 1971 the Building Societies Act had been amended to restrict the total any person could contribute during a period of 36 months to R150 000.

Then, so called "snowball schemes" had developed, in which a single amount could be invested and re-invested in subscription shares

This had created an untenable position as a married couple was able to make a tax-free investment of R300 000 through subscription shares while other tax-free investments could only provide for an investment of R94 714.

Sen Horwood proposed the following phasing out programme.

- 1981 No change
- 1982 Dividends on a maximum investment of R100 000 per person will be exempted Any dividends on an investment over R100 000 per person will be exempted, as in the case of other dividends partially and not more than two thirds of such dividends will be taxable
- 1983 As for 1982 but dividends will be exempted on an amount of R50 000 per person
- 1984 Dividends on an investment of R50 000 per taxpayer (husband and wife together) will be exempted Any dividend on the remainder of the investment over R50 000 will be partially taxable Sapa

(58) · RDW

Provincial assets up to R63m

27/5/80

Financial Reporter

ASSETS of the Provincial Building Society rose by 15,8% to R63-million during the year to March 1980. Share capital was up by 65,8% to just under R24,5-million.

In his chairman's statement, Mr K. Cusens says the high level of liquidity in the economy brought a reduction in both investment and mortgage rates. This stimulated the property market and the demand for domestic mortgages.

Inevitably, the price of houses has escalated dramatically and Mr Cusens hopes that in their enthusiasm to acquire homes at present high levels, borrowers will not find themselves in possession of overpriced assets when the high level of liquidity is reduced and interest rates rise.

With this thought in mind the Provincial has been most cautious in its lending policy. The average loan given last year was R16 000.

Management expenses have been "carefully monitored" and have increased by only 7% in a year of double digit inflation, says Mr Cusens.

Other significant figures were: mortgages rose by 9,8% to R48-million and deposits dropped by 3,8% to R35,7-million.

De Kock report next year

(58)

RDM 28/5/80

DR GERHARD de Kock, special economic adviser to the Minister of Finance, Senator Horwood, expects the final report of his commission of inquiry into monetary and fiscal policy to be completed early next year.

He says the final report will cover all monetary policy and will again include foreign exchange, which was the subject of an earlier report by the commission.

Senator Horwood said in Parliament on Monday that De Kock would play a key role in the development of a constellation of states.

Much research would have to be done and he expected the Prime Minister, Mr P W Botha, to make a statement soon.

Dr De Kock declined to comment on what role he might be called on to play, but said that for a constellation of states to succeed one aspect would require that monetary policy be sound and backed by a well managed rand.

Commenting on his commission's work, Dr De Kock said answers to the "document of 87 questions" sent out by the commission had been of an exceptionally high standard.

He said oral evidence was now being taken and two meetings had been arranged for June.

He said that the appointment of Dr Simon Brand to head a committee into foreign exchange control surveillance would not clash with his commission's study of the policy aspects of foreign exchange and its role in overall monetary strategy. — Reuter.

28/5/80 (58)

R1-m lost to hamper clubs

Argus Correspondent

JOHANNESBURG. — In less than a year thousands of poor people have lost in the region of R1-million through the dealings of hamper clubs and their ultimate liquidation.

And now the efforts of the largest hamper club in the country to clean up the trade and protect consumers, seemed doomed to failure unless Government intervenes.

Mr Carl Molokomme, managing director of American Savings Hampers, said his company was the motivating force behind the 'Southern African Catalogue Organisation.'

This organisation would protect the consumer against fly-by-night operators and hopefully structure a good image for the multimillion rand hamper business.

American Savings Hampers has paid out well over R25 000 to customers of three hamper organisations that collapsed during the past six months.

These include the Carnival Christmas Club and Alabama, which collapsed in December.

In March, Super World, another hamper organisation, also went into liquidation.

(58) (32) CDM 30/5/80

Bester pays again

Financial Reporter

BESTER Investments, which has been under a cloud for some years, has returned to the ranks of the dividend-payers with a final of 5c a share for the year to February 1980. The last dividend was a final of 7c in 1976, when a total of 10c was paid.

Group operating profit before interest and tax was R6 171 000 against R5 963 000 for the previous year. Attributable profit increased from R1 300 000 to R1 600 000, million, giving an earnings a share of 13,5c compared with 11,2c in 1979.

Earnings from the construction division dropped from R5 400 000 to R3 300 000. In their remarks with the provisional statement, the directors attribute this to contracts secured at low profit margins during the recession and completed in the past year.

A "substantial" improvement in the results of the construction division is expected during the current year.

The property division performed well — up to R2-million from R961 000 — and is expected to maintain this standard.

The farming division converted a loss of R622 000 into a profit of R64 000.

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STAR 30/5/80

Pressure on bank chief to quit

58

The Star Bureau

LONDON — Anti-apartheid groups are to seek the support of 13 black African nations in a bid to force the resignation of Mr Ian Mackenzie, head of Standard Chartered Bank's South African operations, who was recently appointed to the Defence Advisory Board.

Pressure groups, led by End Loans To South Africa, (ELTSA), decided to contact the African countries after Lord Barber, chairman of Standard Chartered, yesterday rejected calls for the resignation of Mr Mackenzie, chairman of the Standard Bank of South Africa.

The 13 countries which ELTSA is contacting are those in which Standard Chartered operates. They include Nigeria, Kenya and Ghana. The countries will be told of the bank's "blatant support for the apartheid system."

"PERSONAL"

But Lord Barber, responding to criticism of Mr Mackenzie's appointment to the Defence Board at Standard Chartered's annual meeting yesterday, said the Standard Bank chairman's decision to serve on the board was "purely personal."

Lord Babrer, who said he first learned of Mr Mackenzie's appointment when he read the Guardian on May 22, sought to assure shareholders that Mr Mackenzie was able to distinguish between his two roles.

It is understood that Mr Mackenzie was at yesterday's meeting but he was not called on to reply to shareholders who criticised his appointment to the Defence Board.

Until the chairman arrives back in South Africa on Monday no comment is expected.

FH 30/5/80 (58)

Monetary policy for SA

By Professor Michael Parkin of the Hoover Institution at Stanford University, Palo Alto, California. Last week Professor Parkin was the keynote speaker at the Discount House Monetary Conference.

There seems to be widespread agreement in SA that the monetary policies of the Reserve Bank should be directed towards achieving a greater measure of price stability than has been enjoyed recently so as to enable the SA economy to embark upon a sustained period of rapid economic growth. Although there is widespread agreement concerning this objective there is little agreement on how to achieve it.

The recent monetary policies of the Reserve Bank have themselves been full of paradoxes. Although much progress has been made as a result of the first report of the De Kock Commission dealing with the exchange rate, further progress is clearly needed both in implementing the recommendations of that report and in dealing with wider aspects of domestic monetary management.

The major problems and paradoxes in SA monetary policy in recent years have been very plain to see.

First, there have been massive increases in liquidity and monetary growth; second, there is now, and has been for some time, a need to mop up considerable volumes of excess liquidity arising from a large surplus of savings over investment and exports over imports. Third, nominal rates of interest have been perplexingly low in the face of sustained double-digit inflation. And, fourth, until recently the wide gap in the cost of financing in SA as compared with the rest of the world has been a major source of easy profit for the private sector at the expense of the SA taxpayer, although, since mid-April, that problem has been removed, albeit at the expense of an incredibly high forward premium on the rand.

Do these policies which the Reserve Bank has been pursuing recently stand a chance of delivering the objective of greater price stability and economic growth? Sadly, the answer seems to be in the negative.

The first problem for the Bank arises from the lack of a well defined central operating target for its monetary policy actions. The Bank shows too many signs of looking at everything and attempting to respond to everything, rather than having a single minded objective of attaining monetary predictability and stability.

The current objective of the Bank as regards monetary growth illustrates the point well. The current objective is to ensure that monetary aggregates grow at a rate somewhat less than the rate of inflation during the coming year. The vagueness of this objective is all too apparent.

Generating uncertainty

Since no-one knows what the rate of inflation will be next year, no-one can predict what the rate of monetary growth will be. This generates uncertainty concerning the inflationary implications of monetary policy in SA and in effect condemns the country to live without a monetary standard.

The problem with the Reserve Bank's monetary policy is further illustrated by attempts to mop-up excess domestic liquidity. Here the Reserve Bank seeks to market attractive maturities of government and Reserve Bank securities. However, it is apparently unwilling (or perhaps unable) to see to it that bond, bill and money markets function in a free and unencumbered manner such that the interest rates determined on those markets are equilibrium rates — those which ensure that the quantity of debt which the Bank seeks to sell shall be willingly held by the private sector of the economy.

Instead the Reserve Bank manipulates interest rates and actively intervenes to ensure that rates do not fully reflect market expectations. This is particularly serious at a time when expectations are for rising interest rates. In such a case it is virtually impossible to persuade the private sector to take up medium- and long-term debt for the obvious reason that capital losses are widely expected. It is only by permitting the market to generate a sharp and sudden rise in rates, thereby forcing capital losers onto the market, as it were, overnight, can the market then be persuaded to move forward and start buying debt.

It should be emphasised that this is not to say that the Reserve Bank should pursue policies which will on the average produce high and erratic interest rates. On the contrary, it is the policies which the Reserve Bank is now pursuing that are likely to produce such an unwanted result. High interest rates go with high inflation and the Reserve Bank policies certainly point in that direction. Erratic interest rates are generated by erratic intervention. If the Reserve Bank concentrated on permitting a certain quantity of reserve money for the banking system to be created while selling whatever debt is required to allow an orderly growth in the quantity of money, then interest rates would be determined in markets by very efficient bond and bill investors. Interest rates themselves would become lower as inflation and inflationary expectations were reduced, and fluctuations in interest rates of an undue nature would be smoothed out by the stabilising and speculative activities of private investors and intermediaries.

External sector

There is a further major problem for the Reserve Bank in controlling the growth of money. This arises from the influx of liquidity from the external sector, the large balance of payments surplus which SA is currently experiencing. What is needed here of course, is a sufficient degree of flexibility in the foreign exchange rate to ensure that the surplus is not too large. Currently, and as a consequence of the first De Kock report, a greater measure of exchange rate flexibility has been introduced. The rand has risen sharply so far this year. However, the degree of appreciation is by no means clearly the right amount. What the exchange rate for the rand should be is not for individuals to decide but something which should emerge from the market. The fact that in SA today more than half of the receipts of foreign currency accrue directly to the Reserve Bank from the gold sales does not mean that it is inevitable that the

Reserve Bank be the principle arbiter of the rand exchange rate. At the end of the day, the foreign exchange rate is determined not by the flows of foreign currencies across the exchanges, but by the stocks of domestic and foreign currencies which individuals and institutions wish to hold.

It is true that at present in SA, with extensive foreign exchange control on residents, the demands for foreign securities by residents are severely limited. However, the Reserve Bank has within its power the remedies for that situation. A substantial and swift relaxation of foreign exchange control would ensure a much thicker market for foreign exchange and would make it possible for the rand exchange rate to be determined by impersonal market forces. This would further enhance the Reserve Bank's ability to control the growth rate of domestic money and therefore SA's inflation rate.

Market forces

To advocate that the foreign exchange value of the rand should be determined by market forces with the Reserve Bank controlling the growth rate for the SA money supply does not imply an abandonment of the exchange rate. The behaviour of the exchange rate will be determined ultimately by the behaviour of the Reserve Bank's monetary aggregates.

Most important, favourable consequences follow from pursuing policies indicated along the lines above. If the Reserve Bank concentrated its attentions on ensuring that the money supply in SA was to grow at a steady, predictable and ultimately non-inflationary rate, and if free markets were left to determine interest rates and exchange rates, SA would be well on the way to rapid sustainable economic growth with little or no inflation. With domestic interest rates determined in the marketplace there would be an appropriate allocation of capital and an appropriate flow of capital from the rest of the world to SA. This is an essential ingredient in sustained and rapid growth for a country as young and mineral-rich as this one.

The foreign exchange rate movements would ensure that the overall balance of payments was always in equilibrium and would further ensure that the allocation of the balance of payments between the current and capital accounts was appropriate.

(58)

NT-SYI -POSITION

MONEY CONFERENCE FM 30/5/80

A new discipline (58)

Whatever the past failings in SA's economic debate, there is little doubt that last week's conference in Johannesburg on Monetary Policy and Financial Markets in SA, which was organised by the Discount House of SA in association with the University of Cape Town, did much to clear up the confusion over the ideals, objectives and practical implications of so called "monetarism."

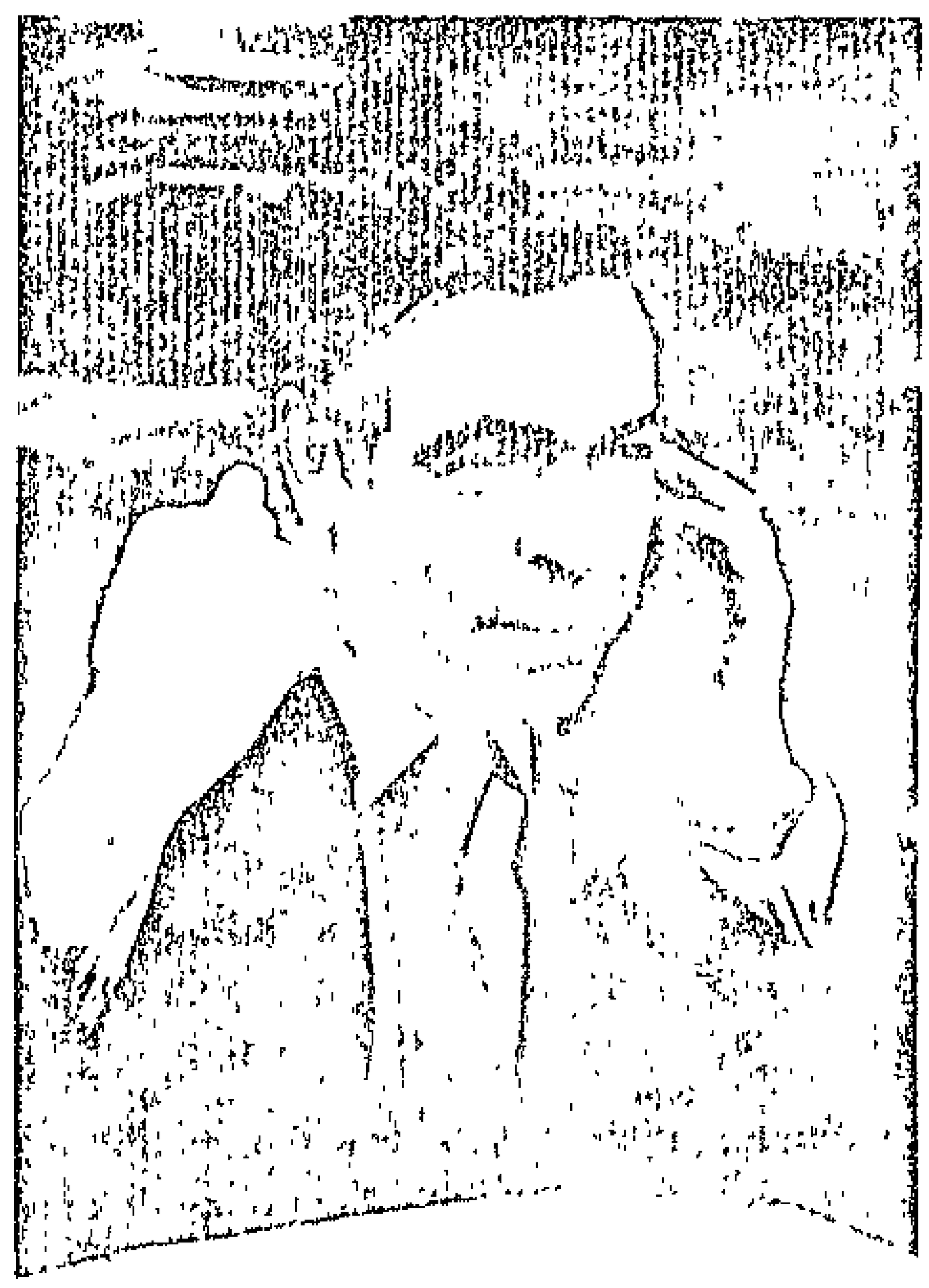
The fact that key members of the Reserve Bank and Treasury, along with private sector economists, bankers, businessmen and leading academics in the field could publicly debate the far-reaching implications of monetarism is particularly significant. Moreover, it underlines the authorities' willingness to continue negotiating with the private sector to formulate the most suitable economic policies.

The highlight of the conference was Michael Parkin, Professor of Economics at the University of Western Ontario in Canada. He sketched the history of monetary policy through various periods beginning with the 10 years to 1968 — "What we did right." This was certainly a golden period in world economic history, with the Western economies enjoying a single unified monetary system and considerable freedom of mobility of goods and capital among countries. The price of gold was set at US $35 per ounce and all other currencies had values specified in terms of gold. Inflation was never a serious problem and governments bent over backwards to defend their exchange rates.

In brief, said Parkin, "we had a monetary standard — a gold exchange standard, and we had a set of techniques of monetary control which were compatible with that standard."

But Lyndon Johnson's obsession that he could win the Vietnam War, keep US interest rates low and finance his great society programme led to a huge growth in the supply of dollars, which flooded the world.

US interest rates during the 1968 to 1971 period were held artificially low, resulting in excess demand and a sustained rise in prices, supported by sharply increased money supply growth. And in 1971, Richard Nixon closed the gold window and the dollars flooding the world no longer justified the boast "As good as gold."



Reserve Bank's Chris Stals . . . confirmed agnostic?

This was followed by the "years of chaos" — rapid money growth, high inflation rates, the oil crisis and so on — which still continue.

In the face of political realities, said Parkin, we need monetary standards. And these standards must stand some chance of delivering price stability or at least predictability while at the same time accommodating different national views on appropriate inflation rates.

The only policy that seems appropriate and has shown itself to be reliable in empirical cases, argued Parkin, is that of establishing a monetary standard based on a target growth rate for some defined monetary aggregate. But then countries needed to exert the "political will" to carry this out.

Professor Diederik Goedhuys brilliantly outlined the key issues faced by SA's monetary authorities in bringing about effective financial markets, notably in the gilt-edged market, the foreign exchange market, the money market and the market for deposits. Said Goedhuys: "It was hoped that official commitment to a target rate of monetary growth, however defined, would give greater assurance to financial markets and create the stable monetary conditions in which other economic objectives could be more easily pursued." That attempt, he noted, has had "indifferent success."

Goedhuys pointed out that "velocity-based credit escapes present target concepts" and that the importance of this statistic could be gauged from the fact that bank debits had quintupled over the past decade while bank demand deposits had risen at only half that rate.

But the question remained: was Goedhuys really parting ways with the strict monetarist approach?

Parkin left one in no doubt he was advocating a pretty dogmatic, inflexible discipline in the form of a money target. Goedhuys, on the other hand, while adopting a necessarily ambivalent line in view of his position as a De Kock Commissioner, seemed to favour a more flexible approach to monetary policy.

Reserve Bank deputy governor, Chris Stals, came across, in the words of Pretoria University's Jan Lombard, as an "agnostic" who was not "going to sell himself out to any particular predictable style." Nonetheless, one couldn't help feeling that Stals was at times valiantly attempting to defend the indefensible. For instance, he defended the Reserve Bank's conduct in the foreign exchange market, in which it presently controls more than 50% of the market through its monopoly of gold proceeds.

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ASSURA FM 30/5/80

Rates squeeze

(58)

Though the short-term insurance industry has been regaled of late with tales of gloom over low rates and tight margins, some of the larger operations, such as Assura, have managed to produce highly satisfactory results.

In the six months to end-March, Assura lifted taxed profit by 25%, from R2,8m to R3,5m, while earnings increased from 8,1c to 10,1c. Though the rate of increase has, in fact, slowed since this time last year, MD Ossie Oosthuizen points out that rates at the moment are anything between 30% and 50% down on what they were a year or two years ago. With this in mind he feels the increase in earnings is fairly good.

The company's main operating subsidiary, Santam Insurance, took in R71,5m (R58,4m) in gross premium income in the first half. The group does not disclose details of investment income or underwriting profits income at the half way stage. However, Oosthuizen says the sharp drop in local interest rates has kept investment income pretty much on a par with last year, while underwriting profits have risen in line with premium income.

He believes that the current rate war will continue for some time. Before rate-cutting bottoms out, he says, there are likely to be a number of mergers within the industry and even the possible collapse of a number of operators, which would cut back some of the present over-capacity in the market. It could be as much as 12 to 18 months before rates begin to firm again, he adds.

Though Assura has no specific plans for expansion through acquisition, there are rumblings of takeover bids among some other local insurers. As Oosthuizen puts it, though Assura has sufficient reserves "in the bottom drawer" to allow it to compete in current conditions, many other companies are unlikely to be so secure. If they are, then the rate war will continue.

On dividend forecasts, Oosthuizen is reticent, and will be drawn only as far as saying that performance since March 31 has been "very satisfactory." The industry's profit performance is notoriously patchy, but it would not be unreasonable to assume an annual dividend in the region of 7,25c this year after 6,325c last year. At 78c, this would put the share on an attractive prospective yield of 9,3%.

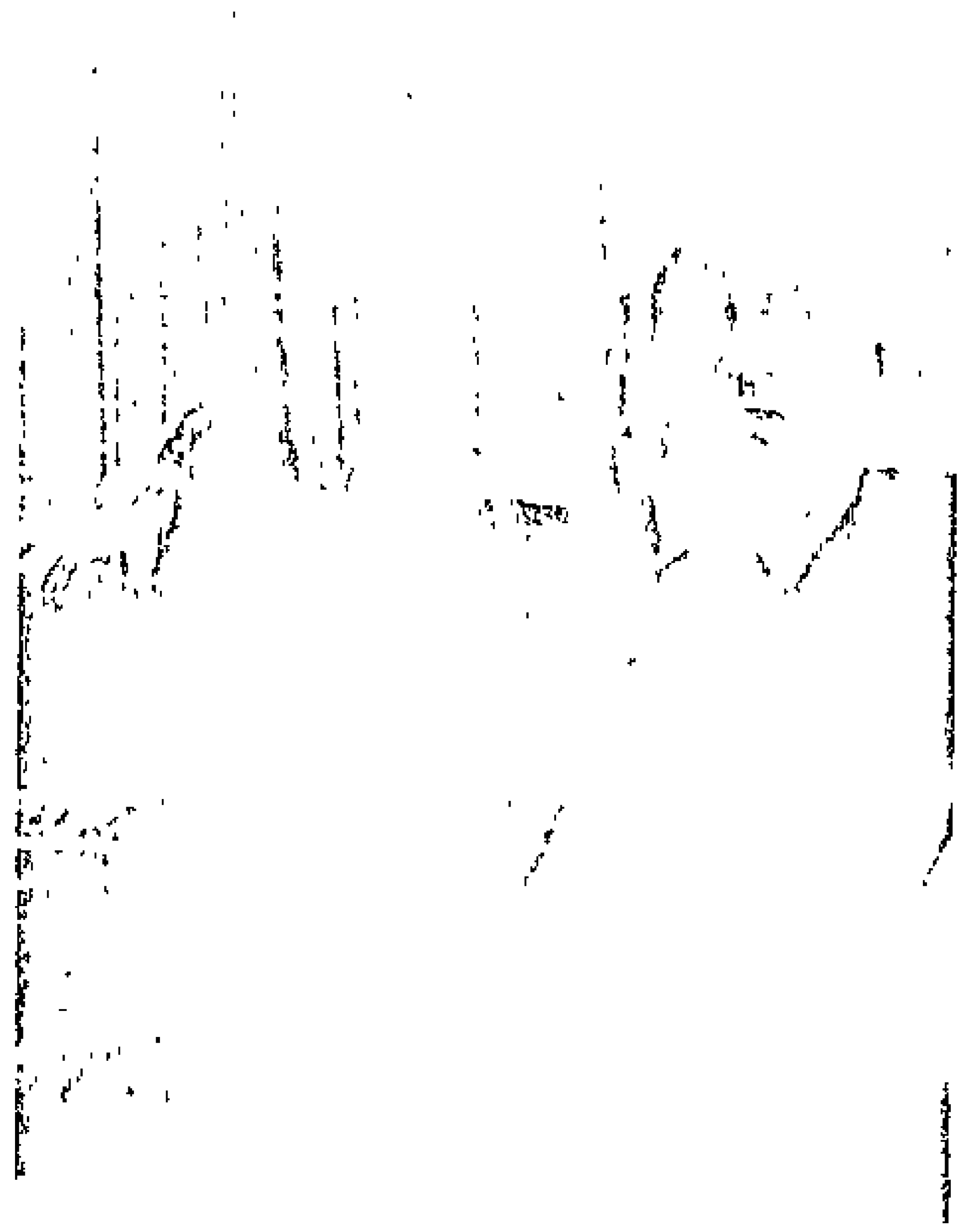
Scott Hawker

of the enlarged company) so that it can equity account its holding in accordance with New Zealand corporate practice.

The remaining 900 000 shares (9,6%) will continue to be held by Unsbic minorities unless they accept an offer of 350c by Liberty Holdings — it is unlikely that many will.

One of the main benefits to these shareholders will be in terms of dividends. Whereas previously Unsbic has followed a fairly conservative distribution policy — last year's 13c payment was covered more than three times by earnings — in future the enlarged company will distribute a minimum of 60% of earnings, providing this does not exceed net cash investment income.

Based on Guardian's 1979 results and Unsbic estimates for its year ending June 30, the combined group could be expected to show taxed profits of R4,1m (the a share on the new capital). While this is



Liberty's Gordon . . . a smaller slice of a larger cake

nearly 13c less than Unsbic earned in 1979, under the new policy the dividend total would probably be 9% to 6% more than last year's payment. This would yield 3,3% at the 350c offer price compared with the 3% in force yield before the suspension.

The R4,1m taxed profit is made up as to R3,2m from Guardian and R1,2m from Unsbic, the latter being a one-third reduction on its 1979 results. It should be noted however that for the purposes of the merger this is the minimum profit which the company is warranting and it hopes to exceed its forecast. But in any event this R1,2m is the equivalent of 24,5c a share on the existing capital so the terms of the merger must be seen as enhancing results.

In terms of assets and premium income, Guardian and Unsbic are roughly the same size. The considerable difference in profits is attributable to the fact that about half Unsbic's assets represent a life assurance portfolio, the profits from which accrue mainly to policyholders.

Logically, one would expect at some stage that Unsbic's life business will be absorbed into the greater Liberty group, but both sides emphasise that at present there are no such plans.

The merger will create a group with short-term assets of about R90m and an annual premium income of around R60m (excluding life), placing it in the top league of the short-term insurance industry.

Economies from the rationalisation of the two operations are expected to place the enlarged group in an improved position to withstand the highly competitive conditions of the industry, hopefully leading to a more stable profit pattern.

The deal has no material impact on Liberty Holdings, although there could be some reduction in dividend income. In 1979 Guardian paid out a total of R2,2m, of which Liberty's share was R550 000. Based on a 29c payment from the enlarged group however, the 15,5% stake of Liberty would yield only R450 000 — an insignificant difference in relation to total dividend income last year of over R11m.

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FM 30/5/80

UNSBIC/GUARDIAN (58)

Bigger and better

Unsbic shareholders have hit the jackpot with the reverse takeover of their company by Guardian Royal Exchange (GRE) of the UK. Not only has the value of their investment been materially enhanced — as is evidenced by the 68% increase in the market price since the shares were relisted this week — but it seems also that the terms are going to impact very favourably on future dividends.

The deal itself is straightforward. Unsbic is acquiring Guardian Assurance Company SA in exchange for 6,9m new shares, more than double its existing issued capital. After certain minor adjustments to the shareholdings of the various parties, GRE, which presently holds 75% of its SA subsidiary, will end up with just over 60% of the enlarged group, while Liberty Holdings — which has the remaining 25% of Guardian, will have a 15,5% stake.

South British Insurance of New Zealand, the existing holding company of Unsbic, is acquiring 260 000 additional shares from GRE and Liberty Holdings, raising its stake from the present 2,24m to 2,5m (27%

RIOT COVER FM 30/5/80 88

Unfortunate timing

With strikes and boycotts flaring up all over the country, the SA Insurance Association (SAIA) seems to have picked a singularly unfortunate moment to stop its members (ie the whole of the short-term industry) providing political riot cover for loss of profits, known as "consequential loss".

The SAIA recently introduced a rule whereby if 70% of its members take a decision at a meeting, it is binding on all members. This was doubtless a well intentioned and commendable attempt by the industry to discipline itself. (Part of the present trouble with the rate war is that a few companies have been able to cut rates excessively while the rest of the market couldn't afford to be left out — *FM* April 11.)

But, last week, SAIA decided to forbid its members from writing any further political riot cover for loss of profits. The background to this is that Sasria (SA Special Risks Insurance Association), the government-backed riot insurance consortium, provides cover only for physical damage. Attempts have been made to get "consequential loss" included, but the Minister of Finance recently decided against it. Because of Senator Horwood's decision, and because demand from the public for such cover is understandably increasing, a few companies had started to show growing interest in writing this business.

From the businessman's point of view, such cover in SA today is eminently desirable. It is not just loss of "profits", but the "consequential loss" — the fact that his plant could be out of production for months, perhaps awaiting spares from overseas, with the resultant staff lay off, that is cause for concern.

The argument against such cover is that, besides being very expensive, it is subject to stringent governing factors, including 30-day, or even 7-day cancellation clauses. One insurer, who is adamant his company "won't touch it," suggests that if a company accepts a risk, or a treaty, which may then be followed by a slight slip-up, or a time gap, the company could find itself in serious difficulty, obliged to carry the whole amount.

So what? If the public is prepared to pay high premiums, and insurance companies are prepared to take the risk, shouldn't they be allowed to do so? Surely it is the industry's job to seek ways of providing new forms of cover where needs arise.

As things stand, businessmen can only go to the overseas market (if there is still sufficient capacity there, which the *FM* understands is doubtful). This, *inter alia*, means premium payments going out of the country

Has not the SAIA, on this occasion, pushed its self-appointed powers too far — and to the consumers' detriment? This could perhaps become an issue under the Restrictive Trade Practices Act.

TIGER (58) FM 30/5/80

Anatomy of a bid

For an organisation which regularly claims that its investments are not used to influence management policies, the Old Mutual has been sailing pretty close to the wind. Its actions during the recent Tiger, ICS and Common Fund suspensions — requested ostensibly to allow Old Mutual to "restructure" its food sector interests — showed, claim some brokers, little concern for involved minority shareholders.

Perhaps that claim is extreme, but Old Mutual's moves have now been shown up for what they were — an attempt to pre-empt an up-coming partial bid for Tiger. At the time of the suspension, when Tiger stood at 1 500c, its shareholders were not told of a pending paper bid by Metro for 50% of Tiger with a possible cash alternative of 2 000c. That could be construed as suspicious. But with no formal offer in its hands, Tiger's Rudy Frankel had nothing concrete to tell his board or the company's shareholders.

So what was the succession of events that led to Old Mutual increasing its stake in Tiger's voting shares (ords and automatically convertible prefs) from 21,3% to 28,9% and Tiger lifting its Adingra interest from 59,1% to 67,2%?

Shortly before the suspension, Metro's Natie Kirsh approached Tiger's Rudy Frankel with proposals for a bid for 50% of Tiger. That apparently went down like the proverbial lead balloon with Frankel, though the proposals did have their merits. And it is surprising in that Tiger has a 30,4% stake in Metro. Mainly, the proposals centred on the synergistic benefits of rationalising both operations, plus an estimate by Kirsh that with Metro's cash flow and distributions, Tiger shareholders who accepted would receive significantly higher dividends than if they stayed in Tiger.

Natie Kirsh . . . gunning for the big one . . .

For the 52 weeks to February 23, Metro reported a cash flow of some R9,5m —an amount which is not wholly necessary for funding its now soundly-based distribution operations. Tiger, on the other hand, with current assets which rose from R180,9m to R225,6m during 1979, distributed ordinary dividends of only R7,4m from income of R56,9m after payment pref dividends.

By the nature of its business, Tiger is a cash-hungry animal, particularly as food crops need heavy seasonal funding. And that could mean continuing dividend restraint as requirements are internally funded and funds ploughed back to keep borrowing ratios within reasonable limits. Metro, with an increased share capital, could distribute its entire cash flow plus dividends received from the proposed 50% holding in Tiger.

If that were the end of the matter, in certain aspects, Metro's bid terms could be construed as unattractive. On the basis of immediate conversion of Tiger's automatically convertible prefs, shareholders who accepted would see their 1979 earnings diluted from 231c to 226c and its end-1979 net worth from 1 631c to 1 200c.

But there could be significant rationalisation advantages as Kirsh sees things. Tiger's distribution outlets are currently cost centres. By making use of Metro's warehouses, they could, Kirsh claims, be converted into profit centres. And by using Metro's outlets with their equipment, Tiger could move extensively into the frozen food field. However, climbing into bed with Metro could well affect Tiger's relations with its other customers. And Tiger feels that, in any case, Metro's depot facilities are inadequate for distributing its products.

Relations between Kirsh and Frankel have been strained ever since Kirsh gained control of Metro after some haggling in court over legal technicalities. And, according to Kirsh, once he had put his proposals to Frankel (who with his family owns less than 2% of Tiger) for discussion by the Tiger board and let him know that a bid was coming, Frankel turned to Old Mutual, as his company's largest shareholder, for defence.

Old Mutual's first reaction was to ask its merchant banks to request suspension of Tiger, ICS and Common Fund in order to "restructure" its food interests. It was a request which, under current rules, the JSE could not refuse.

. . . but there are no flies on Rudy Frankel

As I said earlier (*Fox* May 2), the first plan was for Old Mutual to exchange all or part of its 20% ICS stake with Tiger for additional Tiger paper. That plan was kiboshed when Old Mutual and its advisers decided that the deal was not beneficial to all minority shareholders.

So while the shares were suspended, an alternative avenue to raise Old Mutual's stake to 28,9% was followed. First, in off-market deals — at 1 750c — 4,3% of Tiger was bought from outsiders and Tiger subsidiary Lamberts Bay. Second Frankel decided to increase Tiger's stake in Adcock Ingram from 59,1% to 67,2% (some contend quite unnecessarily) by buying shares from Old Mutual with Tiger paper priced at 1 500c. Some market circles consider this an unethical use of the suspension procedure.

So if we are not back to square one, we are not further than square two. Tiger returned to the boards at 1 750c. And it is a safe bet that the share price will be supported at this level, at least in the near term.

But that may not be enough if Kirsh was to restructure his bid and offer Tiger shareholders paper or 2 000c cash for their shares — a bid which now appears impractical. The whole deal by Mutual leaves several unanswered questions.

Why, for example, as it was privy to Kirsh's proposals — Jan van der Horst is both Old Mutual's chairman and a director of Tiger — did it exchange its Adingra shares for Tiger at an effective Tiger price of 1 500c? That is all very well for Old Mutual policy holders, but pretty rough for Tiger's minorities. And why, if Tiger was only worth 1 500c in the Adingra deal, was it necessary for Old Mutual to pay 1 750c for the other ords it acquired from Tiger's subsidiaries? That is something policyholders could question.

Old Mutual's Peter Bieber, however, feels the two different prices present no conflict. One, he says, is an exchange of shares and there was felt to be no point in Old Mutual holding a mere 8,1% of Adingra while its associate Tiger had 59,1%. The Tiger shares held by its own subsidiaries, Bieber contends, had to be paid for at 1 750c, the price at which all other negotiated deals were done.

As I see it, and as a further bid is unlikely from Metro, Tiger shareholders should now evaluate their shares on Tiger's own likely performance. Now that a bid (even though it was blocked) has appeared which promised higher prospective dividend income, Tiger itself might settle for a more generous payout policy. In the meantime, shareholders would be justified in asking their company's management for full details of everything that happened before and during the suspension. In this deal, perhaps more than any other in recent years, the air needs clearing.

Jim Jones

FH 30/5/80

UNSBIC/GUARDIAN (58)

Bigger and better

Unsbic shareholders have hit the jackpot with the reverse takeover of their company by Guardian Royal Exchange (GRE) of the UK. Not only has the value of their investment been materially enhanced, as is evidenced by the 68% increase in the market price since the share was relisted this week, but it seems also that the terms are going to impact very favourably on future dividends.

The deal itself is straightforward. Unsbic is acquiring Guardian Assurance Company SA in exchange for 6,8m new shares, more than double its existing issued capital. After certain minor adjustments to the shareholdings of the various parties, GRE, which presently holds 75% of its SA subsidiary, will end up with just over 50% of the enlarged group, while Liberty Holdings, which has the remaining 25% of Guardian, will have a 15,5% stake.

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The remaining 960 000 shares (9,6%) will continue to be held by Unsbic minorities unless they accept an offer of 350c by Liberty Holdings — it is unlikely that many will.

One of the main benefits to these shareholders will be in terms of dividends. Whereas previously Unsbic has followed a fairly conservative distribution policy — last year's 17,5c payment was covered more than three times by earnings — in future the enlarged company will distribute a minimum of 65% of earnings providing this does not exceed net taxed investment income.

Based on Guardian's 1979 results and Unsbic estimates for its year ending June 30, the combined group could be expected to show taxed profits of R4,4m (44c a share on the new capital). While this is

Liberty's Gordon . . . a smaller slice of a larger cake

nearly 13c less than Unsbic earned in 1979, under the new policy the dividend total would probably be 29c, or 66% more than last year's payment. This would yield 8,3% at the 350c offer price, compared with the 8% historic yield before the suspension.

The R4,4m taxed profit is made up as to R3,2m from Guardian and R1,2m from Unsbic, the latter being a one-third reduction on its 1979 results. It should be noted, however, that for the purposes of the merger this is the minimum profit which the company is warranting and it hopes to exceed its forecast. But in any event this R1,2m is the equivalent of 37,5c a share on the existing capital, so the terms of the merger must be seen as enhancing results.

In terms of assets and premium income, Guardian and Unsbic are roughly the same size. The considerable difference in profits is attributable to the fact that about half Unsbic's assets represent a life assurance portfolio, the profits from which accrue mainly to policyholders.

Logically, one would expect at some stage that Unsbic's life business will be absorbed into the greater Liberty group, but both sides emphasise that at present there are no such plans.

The merger will create a group with short-term assets of about R95m and an annual premium income of around R58m (excluding life), placing it in the top league of the short-term insurance industry.

Economies from the rationalisation of the two operations are expected to place the enlarged group in an improved position to withstand the highly competitive conditions of the industry, hopefully leading to a more stable profit pattern.

The deal has no material impact on Liberty Holdings although there could be some reduction in dividend income. In 1979, Guardian paid out a total of R2,2m, of which Liberty's share was R550 000. Based on a 29c payment from the enlarged group, however, the 15,5% stake of Liberty would yield only R450 000 — an insignificant difference in relation to total dividend income last year of over R11m.

Brian Thompson

ASSURA FM 30/5/80

Rates squeeze (58)

Though the short-term insurance industry has been regaled of late with tales of gloom over low rates and tight margins, some of the larger operations, such as Assura, have managed to produce highly satisfactory results.

In the six months to end-March, Assura hiked taxed profit by 25,2% from R2,8m to R3,5m, while earnings increased from 8,1c to 10,1c. Though the rate of increase has, in fact, slowed since this time last year, MD "Oosie" Oosthuizen points out that rates at the moment are anything between 30% and 50% down on what they were a year or two years ago. With this in mind, he feels the increase in earnings is fairly good.

The company's main operating subsidiary, Santam Insurance, took in R71,5m (R58,4m) in gross premium income in the first half. The group does not disclose details of investment income or underwriting profits income at the half-way stage. However, Oosthuizen says the sharp drop in local interest rates has kept investment income pretty much on a par with last year, while underwriting profits have risen in line with premium income.

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DIAGONAL STREET FM 30/5/80

Action at last

58

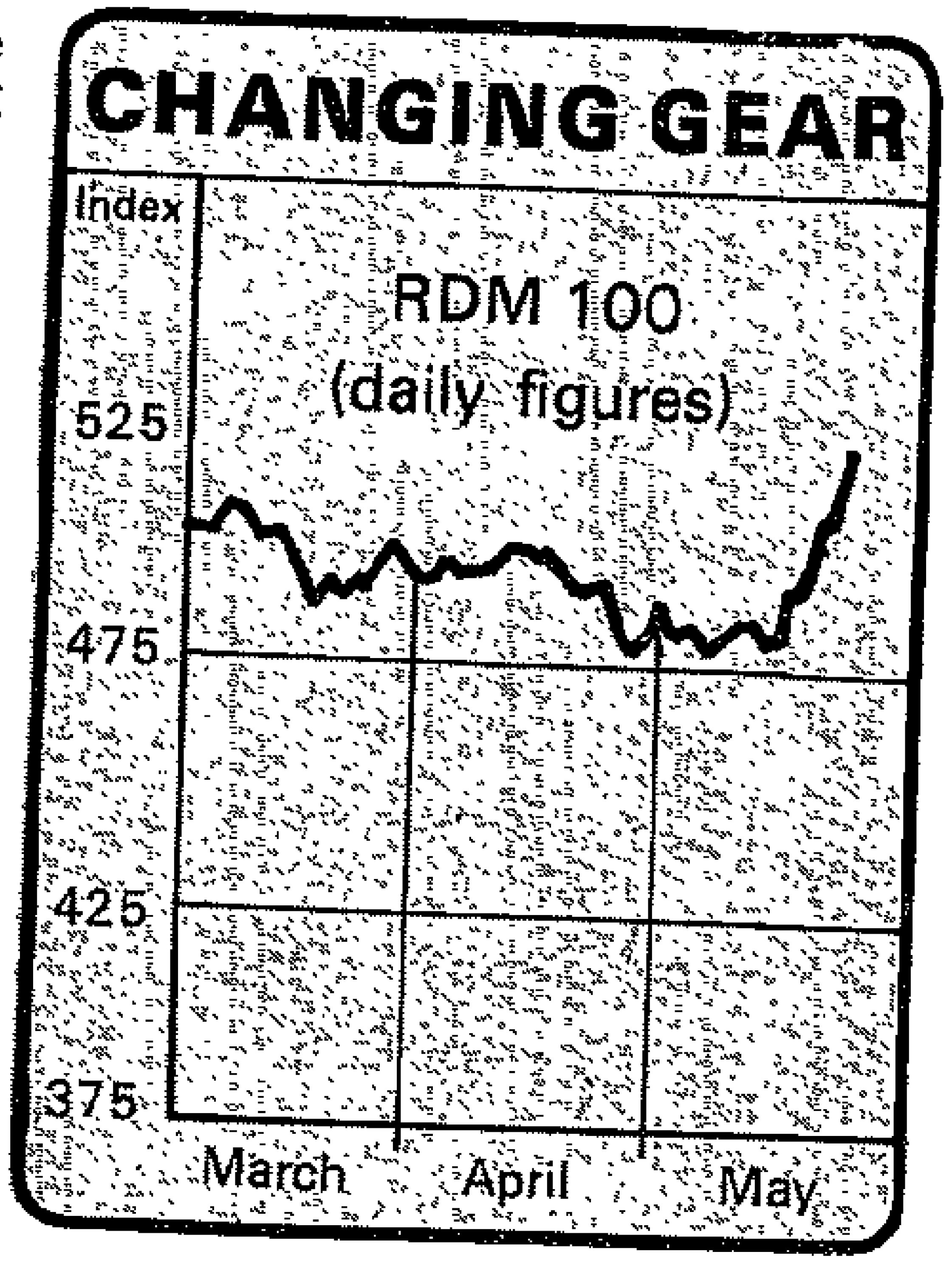
This could be the week when the market decided to break its long sideways It could, according to some analysts, also indicate the start of a sharp and short ride up to the end of the JSE's three-year-long bull market.

Interest has been mantained all week with volumes reaching 3,3m shares by Tuesday and more on Wednesday. Prices generally moved ahead in a broad band in most sectors with gold counters particularly active by mid-week, as bullion picked up sharply to around $525 an ounce.

Backing the market there is still an enormous amount of liquidity with nowhere else to go. Local interest rates refuse to move off the bottom fast enough to indicate the start of a real upturn, although some longer-term government stock is now trading at up to 9,6%. But the market sees much of this movement as artificially induced as last Friday, the Public Debt Commissioners moved in. Dealers take this as an indication that government would like to see the gap between local and international interest rates narrowing much further.

Short-term rates were fairly firm but do not seem yet to be in a rapid upward trend, and the TB rate firmed last Friday from 4,5% to 4,6%. If gold remains firmly above the $500 mark, as seems likely on current world market and political considerations, liquidity will continue to flow into SA and maintain this high liquidity position.

With the generally firming market, dealers, both overseas and local, tended to disregard growing unrest and strikes around the country. Foreign investors, says one broker, have discounted near-term problems. But they are growing increasingly wary of possible developments in the late-Eighties. Investment yields in most other markets remain pretty bleak, meanwhile, and Johannesburg promises much better return.



The money market could be tight at the end of May as seasonal pressures come into effect, say brokers, but it is unlikely that it will turn to the Reserve Bank for long, or that this will have too significant an effect on the stock market. Dealers also point out that, although Reserve Bank deputy governor Chris Stals hinted at further measures to control excessive increases in money supply at a seminar this week, no new measures are on the cards as yet.

The Financial Rand, which should normally reflect any overseas uncertainty in the local political scene, in fact improved slightly over the week to close Wednesday night at US93,75c.

Gold shares now lead bullion, reversing the lag situation of the last few weeks. With some European forex dealers apparently expecting a sharp downturn in the dollar over the next few weeks prospects for a continued climb in gold look good. However, some European bullion dealers feel that gold's recent advance has stemmed from apprehension over possible labour disruptions at SA's gold mines. On the other hand, overseas interest in golds has apparently been maintained and heavyweights reflected the inflow of cash. West Drie gained 500c on Wednesday to 9 500c. Harties rose 250c on the week to 7 350c.

The *RDM* gold index closed Wednesday night moving towards new highs at 615,3 after being 568,8 the week before.

Scott Hawker

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SHORT-TERM INSURANCE

New think-tank

(58)

An advisory committee on short-term insurance is to be set up in terms of the Financial Institutions Amendment Bill, published last week.

With the industry going through difficult times, the step should be welcome. It does not imply any sinister moves towards stricter control. "Quite the contrary," stresses Registrar Wynand Louw. "We do not want to sit in an ivory tower. It is a step in the direction of better liaison." In fact, the standing Advisory Committee on long-term insurance, which has just completed its two-year term and been reappointed, has proved a very valuable forum, giving the Registrar ready access to advice from the industry's leaders, and a "think-tank" to help him deal with ongoing problems. So a similar body for the short-term side is a logical development.

The size and composition of the committee, and its term of office, have been left to the Minister of Finance to determine. It will not necessarily be restricted to five or six members. Louw expects due recognition will be given to both components of the industry: companies and brokers. This will only be decided when the legislation is passed, which is expected to be during this session.

An interesting situation has arisen in this connection in Transkei. The Transkeian Insurance Act makes no provision for such a committee, but one has already been formed to deal with both long and short-term insurance. In due course it is intended that thé Act will be amended accordingly.

Registrar Louw . . . moving

FM 30/5/

SUBSCRIPTION SHARES

Not so bad

58

Treasury's 36-month phased crackdown on tax-free building society subscription shares will be a good deal tougher than Finance Minister Horwood's terse Budget statement suggested.

Discussing the Finance vote in Parliament this week, Horwood reminded holders of such shares that the tax-free limit is to be rolled down from R150 000 per *person* to R50 000 per tax-payer which, for some well-heeled family units, could mean a wind-down from R300 000 to R50 000.

But the phased switch should not be too painful. In the 1981 tax year there will be no change, in the following year the ceiling comes down to R100 000 per person, but dividends on investments in excess of this sum will be 33% tax-free.

In the 1983 tax year, the limit comes down to R50 000 per *person* and, as in 1982, not more than two-thirds of dividends earned on sums in excess of R50 000 will be taxed. In the 1984 year the ceiling drops to R50 000 per *tax-payer* and dividends on the excess will be 33% tax-free.

The effect of the change, soon to be published in the Income Tax Bill, should be something like the following example: a husband and wife combination locked into a society scheme with R150 000 per person at 7% tax-free, and assuming no tax rate changes:

1981 year: no change — tax-free income R21 000.

1982: 7% tax-free on R100 000 each — R14 000 for the family unit. Tax payable on two-thirds of the R7 000 dividend earned on the excess R100 000 will be, say 50% on R4 667 — R2 333,50 an effective tax rate of 11,1% on the R21 000 gross income of the family unit. Net income: R18 667.

1983: 7% tax-free on R100 000 (R50 000 each) — R7 000. Tax payable on 66% of dividends received on the R200 000 "excess" at 7% — 2/3rds of R14 000 — R9 333. Tax at 50% — R4 667 or 22,2% on total income. Net income: R16 333.

1984: 7% tax-free on R50 000 (jointly) — R3 500. Tax payable on 2/3 of 7% on R250 000 "excess" — 2/3 of R17 500 — R11 667. Therefore tax at 50% — R5 833 or 27,7% of total investment income. Net income: R15 117.

In view of these examples, says Horwood, there should be no great rush to get out of this type of investment. He said the reason for diluting the sugar in subscription shares was that Joep de Loor's Standing Commission on Taxation had concluded that its attractions far outweighed those of other types of tax-free investments, the sum total of which added up to a mere R94 714 for a husband and wife combination, compared with a "massive" R300 000 that could be invested in building society subscription shares.

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Constantia

Constantia Insurance Company Limited

The Directors of Constantia Insurance Company Limited have pleasure in announcing that the audited consolidated results for the year ended 29 February 1980 are as follows:-

	Notes	12 Months to 29.2.80 R 000's	8 Months to 28.2.79 R 000's
Gross Premiums Written		21 086	9 681
Underwriting Profit/(Loss)		79	(433)
Net Investment Income		626	509
Net Profit before and after Taxation	(1)	705	76
Non-Recurring Income	(2)	1 235	48
Total Net Income		1 940	124
Ordinary Dividend		251	—
Ordinary Shares in Issue		4 175 000	4 000 000
Average Number of Shares in Issue		4 087 000	4 000 000
Earnings per Ordinary Share (excludes non-recurring income)		17,2 cents	1,9 cents
Dividend per Ordinary Share		6 cents	—

Gross premiums written increased by 45,2% over the annualised premiums for the previous eight months period. More significantly, non-motor premiums accounted for 18% of business written, as compared with 6% in the previous period.

Premiums less reinsurance rose by 36,8%, resulting in an increase in the Insurance Fund of R1 646 000.

Claims incurred during the year fell, as a percentage of earned premium, from 73% to 64% despite very heavy incidence during the final two months

Notes:

1. No taxation is payable in view of the Group's assessed loss.
2. Non-Recurring Income is additional to net profit before and after taxation and comprises a net surplus of R1 091 000 on disposal of the Group's property, plus a net surplus of R144 000 on investments realised (1979: reversal prior year's tax over-provision).

DECLARATION OF ORDINARY DIVIDEND:

Notice is hereby given that a dividend for the year ended 29 February 1980 of 6 cents per share has been declared payable on the Company's ordinary shares on or about 10 July 1980 to shareholders registered in the books of the Company at the close of business on 13 June 1980.

The Transfer Books and Registers of Members will be closed from 14 June 1980 to 22 June 1980, both days inclusive.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, non-residents shareholders' tax of 15% will be deducted by the Company from dividends payable to shareholders whose addresses in the Register of Members are outside the Republic of South Africa.

Transfer Secretaries:

Hill Samuel Registrars S.A. Limited
The Corner House
63 Fox Street Johannesburg, 2001
(P.O. Box 62318 Marshalltown, 2107)

N. Kirsh *(Chairman)*
T.L Ternent *(Managing Director)*
26 May 1980

KI A Kirsh Industries Group Company

FM 30/5/80

JOINT ANNOUNCEMENT

BY

GUARDIAN ASSURANCE COMPANY SOUTH AFRICA LIMITED

LIBERTY HOLDINGS LIMITED

UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED

MERGER OF GUARDIAN ASSURANCE COMPANY SOUTH AFRICA LIMITED AND UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED

The boards of directors of Guardian Assurance Company South Africa Limited ("Guardian"), Liberty Holdings Limited ("Liberty Holdings") and Union National South British Insurance Company Limited ("Unsbic") wish to announce that agreement in principle has been reached in terms of which, with effect from 1 July 1980, Unsbic will acquire Guardian's issued equity share capital.

Unsbic is listed on The Johannesburg Stock Exchange and 70% of its equity is held by The South British Insurance Company Limited of New Zealand ("South British"). Guardian is controlled by the Guardian Royal Exchange Assurance Limited of the United Kingdom ("GRE") which currently owns 75% of its equity, with Liberty Holdings, the South African listed holding company of the Liberty Life Group, owning the balance of 25% of the shares.

The proposed merger is subject to the finalisation and signature of the necessary documentation, the obtaining of the necessary approvals from the South African authorities and The Johannesburg Stock Exchange by not later than 30 June 1980 and is also subject to the fulfilment of a number of conditions precedent by not later than 30 September 1980 including the approval of the merger by the shareholders of Unsbic.

In terms of the arrangements, it is proposed that Unsbic's existing authorised share capital be increased to R10 million divided into 10 million shares of R1 each, and that the 6,8 million new shares ("the new shares") then in reserve be issued to GRE and Liberty Holdings at an issue price of R4,50 per share.

In consequence of these arrangements, the shareholding of South British in Unsbic will be reduced to [illegible]% of the enlarged equity capital. GRE, the holding company of the worldwide Guardian Royal Exchange Group, will control the reconstituted Unsbic with a shareholding marginally in excess of 50% and Liberty Holdings will hold approximately 15% of the issued shares of the reconstituted Unsbic. The balance of Unsbic's shares will be held by the South African public and will continue to be listed on The Johannesburg Stock Exchange. In consequence the reconstituted Unsbic will be backed by capital resources and reserves of almost R[illegible] million as compared with the capital resources and reserves of Unsbic at 30 June 1979 of approximately R[illegible] million.

In the absence of any unforeseen circumstances, it is anticipated that Unsbic will in September declare a dividend in respect of its financial year ending 30 June 1980 of 21 cents per share to Unsbic's existing shareholders. The new shares to be issued to GRE and Liberty Holdings as aforementioned will not participate in such dividend but will rank for any dividends declared by Unsbic in respect of profits earned after 1 July 1980. Once issued, the 6,8 million new shares will rank *pari passu* in all other respects with the existing shares of Unsbic.

It is proposed that the financial year end of Unsbic be changed to 31 December with effect from 31 December 1980. The reconstituted Unsbic will in future adopt a policy of paying two dividends per annum to be declared in February and August each year in respect of the 6 month periods ending 31 December and 30 June respectively immediately preceding the date of declaration. The dividends will be payable in April and October following their declaration, and it is proposed that Unsbic's dividend policy after the acquisition of Guardian will be based on a minimum distribution of [illegible]% of Unsbic's net consolidated taxed profit, provided that such dividend does not exceed Unsbic's consolidated net investment income after tax for the accounting period in question.

It is further proposed that Unsbic's name will as soon as is convenient be changed to incorporate the name "Guardian" to be more representative of the company's reconstituted status.

As a result of the proposed arrangements, Unsbic and Guardian as reconstituted will have total assets of approximately R[illegible] million with an annual net premium income from fire, motor, accident and marine insurance business estimated at R[illegible] million. Based on the taxed profit of Guardian for the year ended 31 December 1979 and the estimated profit of Unsbic for the year ending 30 June 1980, combined taxed profit of the reconstituted Unsbic on this basis is estimated at R4,4 million, equivalent to 44 cents per share on the enlarged issued share capital of 10 million shares of R1 each.

The boards of directors of Unsbic and Guardian have recognised that for some considerable time there has been a need to rationalise the South African short term insurance industry in order to achieve greater efficiency and capacity and the benefits of consolidation through the creation of more powerfully based insurance groupings. It is believed that the merger of Guardian with Unsbic, which will result in the establishment of a major new short term insurance group in South Africa with greatly enhanced capacity, will generally fulfil these objectives and will achieve considerable economies of scale and the rationalisation of the two operations, thereby achieving major advantages for policyholders and shareholders and contributing to the stability of the South African market in general.

Subject to the transaction being concluded, and as soon as possible after the 20 cents dividend has been paid by Unsbic, Liberty Holdings proposes to make an offer to all Unsbic shareholders, other than South British and GRE, to acquire their shareholdings in Unsbic on the basis of a cash consideration of R[illegible] per share. Acceptance of this offer will be at the complete discretion of the Unsbic shareholder concerned.

The boards of directors of Unsbic and Guardian will be reconstituted to be more representative of the changed shareholders once the proposals are implemented, with Mr Donald Gordon, chairman of Guardian and Liberty Holdings, becoming chairman, and Mr Harold Edward van Santen, presently chairman of Unsbic, becoming deputy chairman. Both Mr [illegible], presently managing director of Guardian, and Mr Keith Nilsson, general manager of Unsbic, will be members of the reconstituted boards, and will hold the executive offices of managing director and general manager respectively.

Full details relating to the aforementioned arrangements and the procedure by which it is proposed that these will be implemented will be contained in a circular to be sent to shareholders as soon as possible.

The listing of Unsbic's share capital on The Johannesburg Stock Exchange will be reinstated with effect from the commencement of trading on 26 May 1980.

On behalf of

GUARDIAN ASSURANCE COMPANY SOUTH AFRICA LIMITED	LIBERTY HOLDINGS LIMITED	UNION NATIONAL SOUTH BRITISH INSURANCE COMPANY LIMITED
DONALD GORDON	DONALD GORDON	HAROLD EDWARD VAN SANTEN
Chairman	Chairman	Chairman

Johannesburg
23 May 1980

FM 30/5/80 (58)

NOTICE TO SHAREHOLDERS

ASSURA LIMITED HOLDING COMPANY OF SANTAM INSURANCE COMPANY LIMITED

The board of directors of Assura Limited announces that the unaudited group profit after provision for taxation for the six months ended 31 March 1980 is as follows:

	Six months to 31 March 1980	Six months to 31 March 1979	Year to 30 September 1979
Profit after provision for taxation	R3 531 000	R2 820 000	R7 417 800
Percentage increase	25,2%		
Earnings per share	10,1	8,1	21,2
Percentage increase	24,7%		

The following particulars are given in respect of Santam Insurance Company Limited, the major operational unit in the group:

	Six months to 31 March 1980	Six months to 31 March 1979	Year to 30 September 1979
Gross premium income	R71 512 000	R58 403 000	R135 658 000
Percentage increase.	22,4%		
Nett premium income	R62 289 000	R52 218 000	R104 116 000
Percentage increase	19,3%		

The directors wish to point out that, due to the nature of the short-term insurance industry, the results of the first six months of the financial year should not be regarded as a basis for projections for the full financial year.

C.H.J. VAN ASWEGEN
CHAIRMAN

C.J. OOSTHUIZEN
MANAGING DIRECTOR

FM 30/5/80 (58)

Goldfields Industrial Corporation Limited

(Incorporated in the Republic of South Africa)

Final results and dividend announcement

The audited results of the GIC group for the year ended 31 March, 1980 were as follows:

	1980 R	1979 R
Turnover	35 43[illegible] 000	[illegible] 0[illegible] 000
Profit before taxation	4 583 000	1 912 000
Taxation	1 [illegible]60 000	[illegible]43 000
Profit for the year	2 [illegible] 000	1 169 000
Number of ordinary shares in issue at end of year	3 [illegible]51 [illegible]	2 822 400
Earnings per ordinary share	79c	41c
Dividends per ordinary share	17c	10c

Earnings per share are calculated by dividing the profit after tax by the weighted average number of shares in issue during the year.

Demand for the group's products continued to improve, particularly during the latter months of the year, and record turnover and profit levels were achieved. Turnover increased by 47% and the higher levels of activity combined with greater efficiency were reflected in improved margins and a profit before tax of R4 583 000 compared with R1 912 000 in the previous year.

Earnings per share amount to 79 cents and the directors propose a final dividend of 13 cents per share, making a total distribution for the year of 17 cents per share on the capital as increased by the rights issue in July 1979. The final dividend will be paid on 29th August, 1980 to shareholders registered on 15th August, 1980.

The Group is in a sound liquid position and the balance sheet, strengthened by the rights issue in July 1979, has been further improved by tight control of working capital and a reorganisation of the borrowing structure. Capital expenditure on buildings and plant amounted to over R1 million and major further expansion of the Group's manufacturing activities is planned.

The new financial year opened with order books substantially higher than a year ago. Unless there is a major economic reversal, a further improvement in results is expected in the current year.

M J BEER
N J GILBERT — Joint Deputy Chairmen

ISANDO
22nd May, 1980

FM 30/5/80 (58)

BANK OF THE ORANGE FREE STATE LIMITED

REGISTERED GENERAL BANK

ANNOUNCEMENT OF AUDITED PROFIT FOR THE FINANCIAL YEAR ENDED – 31 MARCH 1980

The board of directors announce that the audited group profit, after tax and transfer to internal reserves, for the financial year ended 31 March 1980, is as follows:

	YEAR ENDED 31/03/1980	YEAR ENDED 31/03/1979
Profit after tax and transfer to internal reserves	R 900 000	R 650 000
Less: Profit attributable to preference shareholders in respect of preference dividend	R 135 094	R 74 994
Profit attributable to ordinary shareholders	R 764 906	R 575 006
Number of shares issued:		
Ordinary shares of 50 cents each	6 943 402	6 000 114
12 percent cumulative convertible preference shares of 100 cents each	—	499 943
11 percent cumulative redeemable preference shares of 100 cents each	2 000 000	—
Earnings per ordinary share	11,0 cents	9,6 cents
Dividend cover	1,8	1,6

* 499 943 12 percent cumulative convertible preference shares of 100 cents each have been converted into 943 288 ordinary shares of 50 cents each on 1 July 1979.
* Bankovs' capital base has been broadened by the issue at par of 2 000 000 11 percent cumulative redeemable preference shares of 100 cents each by a private placing. The preference shares were allotted on 15 September 1979.
* The profit attributable to ordinary shareholders for the past financial year showed a satisfactory increase of 33 percent in comparison with the corresponding profit for the previous financial year.
* In view of the favourable results, R885 000 was transferred during the past financial year from internal reserves to general reserve.

DECLARATION OF DIVIDEND

Preference Dividend

Notice is hereby given that a preference dividend of 11,0 percent (5,5 cents per share) for the six months 1 January 1980 to 30 June 1980 has been declared in respect of the 11 percent cumulative redeemable preference shares of 100 cents each. The dividend is payable to holders of such preference shares registered in the books of the bank at close of business on Monday, 16 June 1980.

The preference share register and the preference share transfer register of the company will be closed from 17 June 1980 to 30 June 1980, both days inclusive.

Dividend cheques will be mailed on 23 June 1980.

Ordinary Dividend

Notice is hereby given that a dividend of 12 percent (6,0 cents per share) for the financial year ended 31 March 1980 has been declared in respect of ordinary shares. The dividend is payable to holders of such ordinary shares registered in the books of the bank at close of business on Friday, 13 June 1980.

The ordinary share register and the ordinary share transfer register of the company will be closed from 14 June 1980 to 21 June 1980, both days inclusive.

Dividend cheques will be mailed on 30 June 1980

Information applicable to both preference and ordinary dividend

In terms of the Income Tax Act, 1962, as amended, non-resident shareholders' tax of 15 percent will be deducted from dividends payable to shareholders whose addresses, according to the books of the company, are outside the Republic of South Africa.

On behalf of the board:
HJ SAMUELS (Chairman)
ETJ van Rensburg (Managing Director)
PRETORIA
22 May 1980

Registered Office: Bankovs Building, 7 Elizabeth street, BLOEMFONTEIN 9301.
Transfer Secretaries: Central Registrars Ltd, 28 Harrison Street, JOHANNESBURG 2001 PO Box 61042 MARSHALLTOWN 2107
DIRECTORS. HJ Samuels (Chairman), TD Potgieter (Vice-Chairman); PW du Plooy, DP Erasmus; AD Niemandt; JNR van Rhyn; RJ van Wyk, JA Venter; JJ Vermooten; ETJ van Rensburg (Managing Director)

BANKOVS

Convert your Rand to Super Rand

Bank of Lisbon in quest for Portuguese

58
RDM 30/5/80.

By SIMON WILLSON

TWO NEW Bank of Lisbon branches are to open in South Africa this year, continuing the expansion of the bank's business since the independence of Portugal's principal African territories six years ago.

The branches will be in Rosettenville, Johannesburg, and Umbilo, Durban, bringing BOL's branch total to 18

BOL's policy is to set up representation in urban concentrations of Portuguese immigrants, and the two branches signify prospering Portuguese quarters in the areas involved

The Portuguese community in South Africa is estimated at 600 000, of whom up to 150 000 have arrived since the end of Portuguese colonial rule in Angola and Mozambique in 1974

BOL executive director, Dr D F Marques, acknowledges that part of the reason for the bank's increased business in the past five years is attributable to the influx from the former colonies.

"Portuguese citizens and descendants do feel a strong ethnic identification with the bank because we understand their problems and speak their language. I would say 85% of our deposits are from the Portuguese community," Dr Marques says.

"But the increase in our business is also due to the commercial development and progress of the Portuguese community who have been here since before 1974. Our business with the rest of the South African community is also growing."

The Portuguese small businessman is one of BOL's most familiar clients, and the bank has taken advantage of this patronage with a unique service.

"We established an agency — not a full-scale branch - at the new vegetable market in City Deep after the market master told us that Portuguese greengrocers and farmers were responsible for more than 80% of the daily turnover at the market," Dr Marques says.

BOL's exclusive ties to the Portuguese community are illustrated by the bank's "Double your Lifesavings" plan.

"For a number of reasons the average Portuguese wage-earner does not beleive in life insurance, so we devised this plan to combine savings and insurance," says Mr Tony Pereira, BOL's marketing manager

The plan applies to fixed deposits and savings, but not current accounts, with a R10 000 ceiling and a premium of 50c a R1 000

"Normally if a man dies his assets are temporarily frozen and his dependants cannot use them We undertake to double a depositor's savings within the ceiling if he dies and, while his base amount is frozen, our matching sum is available immediately."

The possibility of a return to Mozambique as the one-time Marxist model State contemplates a return to capitalism has been seriously considered by the bank.

"But our priority is to consolidate our position in South Africa before moving to other Southern African countries," Dr Marques says

1/6/80
SUN TRIB

We want to buy your bank ... says Volkskas

(PROP)

$
$

STANDARD Bank's premises in Mobeni have been bought by another financial institution — Volkskas.

The Standard will move to bigger premises in Leicester Road, with large parking facilities — and Volkskas opens its first Mobeni branch in the South Coast Road building which Standard vacates.

The R150 000 sale was handled by Tony Bolt of Isaacs Geshen, who also arranged the lease of Standard's new property.

The bank has taken a portion of the new Firestone building and has almost completed a R250 000 conversion programme.

The new office is expected to open on Monday June 16.

Both banks say the move has been prompted by increased business and the need to maintain service to industrial clients in Mobeni. For Volkskas, this will be their first fully-fledged branch in the area.

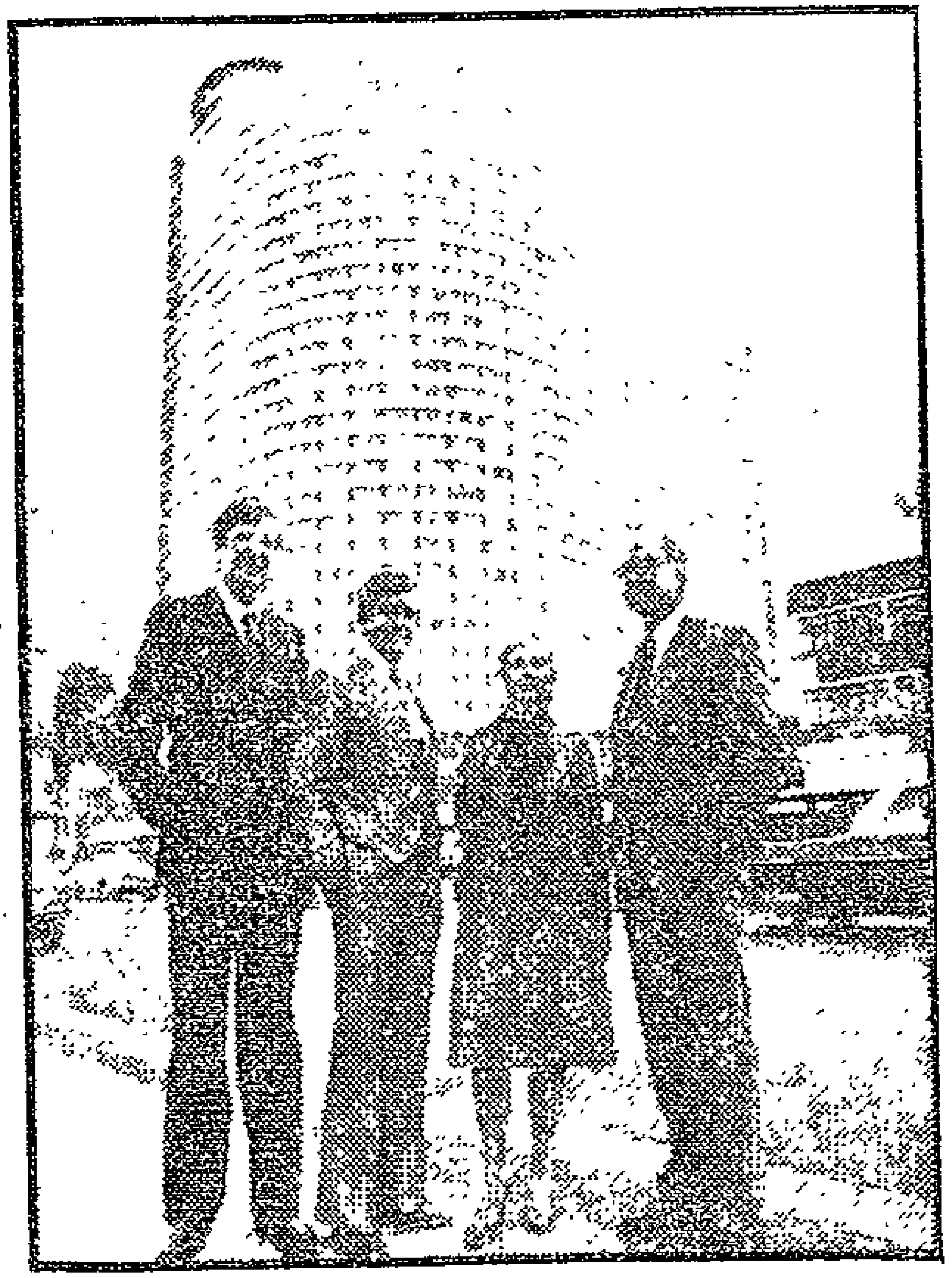
Premises manager C. L. Engelbrecht said the property would be completely refurbished once the Standard moves out in mid-June. Volkskas expects to be trading from the premises by the end of September.

1/6/80

58

(PROP)

SANLAM SWING R3,5m QUEENSBURGH DEAL



Ferdie Meischke, Wally Meyer and Sheila Williams of RMS Syfrets with Ben Lochner of Sanlam in front of John Ross House on Durban's Esplanade

By Colin Vineall
Property Editor

SANLAM, which announced that it had spent R70 million on property since October last year, has another multimillion rand scheme planned for Natal.

Property manager for Natal, Ben Lochner, said that a Sanlam site in Queensburgh, near the Malvern shopping centre, would be developed with Pick 'n Pay as a head lease.

Negotiations were still taking place between Sanlam and Murray and Roberts Properties, with whom agreement had been reached. The figure involved would not be less than R3,5 million.

This latest deal brings to more than R17 million the property deals in Natal in which Sanlam have been involved in the past few months.

Prime amount was paid for the Durban landmark, John Ross House, on the Esplanade. Sanlam bought it for R8,5 million from Kaiser, Irvine of Cape Town, part of the Union Castle Group.

The deal is the largest by Sanlam in Durban, said Lochner.

"Almost R70 million of properties has been purchased by Sanlam since October last year. As far as Durban is concerned, the largest individual building is John Ross House. This building contains offices flats and shops."

Sanlam bought Highway House in Jan Hofmeyr Road, Mayville recently in a R1,4 million deal that raised a stir.

Sanlam has also bought Indo Atlantic in Maydon Wharf for R2,2 million, finalised a lease back transaction with SA-Druggists in various towns including Durban, and bought St Tropez from Huletts for R0,8 million.

Lochner said that negotiations for John Ross House had followed an introduction by the RMS Syfrets Commercial and Industrial team of Sheila Williams and Ferdie Meischke.

The deal had taken about six weeks to complete.

Asked if there were more deals to come, Lochner said: "We have reached agreement in principle with Murray and Roberts Properties on the development of our Queensburgh site for a Pick 'n Pay and small shops.

"It is going to be developed by Murray and Roberts Properties and they are going to take it on a head lease for 20 years. This means they will sub-let to Pick 'n Pay and other tenants.

"The site is between Malvern shopping centre and a block of flats — it is an open site.

"We are negotiating, and it won't be less than R3,5-million."

Wally Meyer, sales director of RMS Syfrets, said this week that it was the second time in recent weeks that Sanlam and his company had been involved together in a major property deal in Durban.

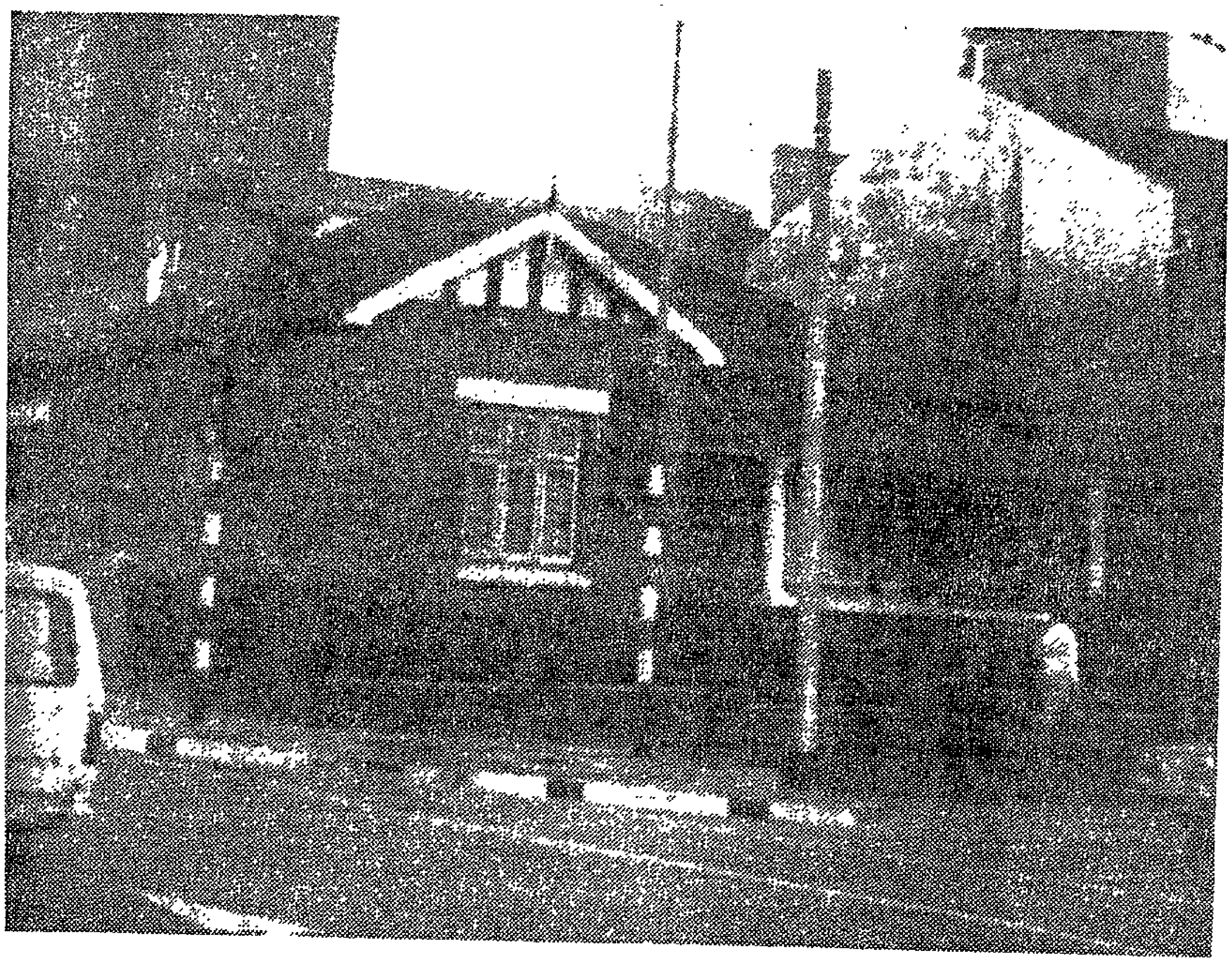
RMS had also linked forces with Sanlam in the Highway House deal which, at R1,4-million, had been one of the biggest individual deals for years.

1/6/80

DOWN THE DRAIN

1/6/80 SUN TRIB (PROP)

58



The house in Braamfontein which fetched a record R130 000

cont

By FRANK JEANS

EVEN in today's booming house market, this week's sale of a two-bedroomed, corrugated iron roof home in Braamfontein for R130 000 must be something of a record return in property investment.

For 65 years ago, Peter Klem's father bought the 600 square metre plot, now at the corner of Jorissen and Simmonds streets for £300 and built his home for £600.

Now the house is to make way for a new office block, together with another small house and two small blocks of flats. The total 1 310 square metre site has been sold to General Accident for R380 000 and early next year the group will build a R4 million head office to mark its 75th anniversary in South Africa.

Peter Klem was born in the house that has recorded a 7 000 percent plus return on investment and he intends to remain in Braamfontein.

"We like it here," he said.

...that's where estate agent's ethics have gone — Emanuel

A NATAL Midlands estate agent has joined the battle over ethics — and he believes both the Estate Agents Board and the Institute of Estate Agents have adopted a negative attitude towards giving professional status to the agents.

Keith Emanuel said this week he felt the industry was going downhill — even "down the drain" following recent comments by Estate Agents' Board chairman Peter du Plessis on "touting" for business.

By COLIN VINEALL, Property Editor

Du Plessis said the Code of Conduct was quite clear that the paying of a consideration to *"non-registered estate agents for information leading to the obtaining of business is not only unethical but illegal"*.

Du Plessis said that "if we are to improve the image of our discipline we should ensure that this — in my opinion — degrading practice is stamped out.

"More often than not it stems from a greedy member of the public offering to provide a tip-off in return for a 10 percent introductory commission or a gift of some sort — an offer which agents with professional integrity should reject out of hand."

According to Du Plessis, no offence is committed if registered estate agents pay commissions or give gifts in return for favours from colleagues in possession of fidelity certificates.

"This is quite normal practice in senior professions where a similarly serious view is taken of considerations passed on to laymen in return for information or assistance," said Du Plessis.

But Emanuel this week set the background for his view of the status of the profession.

"The Estate Agents' Board was formed to give protection to the public by the creation of a fidelity fund against loss of funds entrusted to estate agents. Furthermore, agents were advised that the main purpose of an Act of Parliament in forming this board was to give professional status to estate agents in the same manner as attorneys, chartered accountants and other professional bodies.

"A code of ethics was published by both the Estate Agents' Board and the Institute of Estate Agents, both of which conveniently dropped the erstwhile clause prohibiting touting. I subsequently resigned from the institute.

"I quote from letters received by myself and a member of the institute. I complained about a lack of rudimentary ethnics by a fellow practitioner and the reply from the board stated, inter alia: *"In terms of our code of conduct it would not seem improper for an estate agent to act in the manner as set out in your letter under reply. Surely the principle of catch as catch can is still applicable in business and cannot be denied anybody."*

"So much for professional ethics."

Emanuel also quoted from a letter in reply to a member of the institute who compalined of unethical conduct by a fellow member: "However the committee discussed the complaint and felt that at no stage had any ethics been transgressed as today's customs allow for no protection at all for sale-boards and/or even the coaching or knocking on a door to obtain a mandate.

"The whole approach to obtaining properties for sale has changed drastically over the years and it has basically become a free-for-all for anybody to help themselves to a property."

Emanuel adds that a doctor or attorney would be struck off the roll for this type of touting.

He said even as an estate agent he saw nothing wrong for an owner to sell his own property.

"An attorney will handle the deposit in his trust account, draw the deed of sale and any tripe about an owner breaking the law by selling his own home is bunkum.

"The above will illustrate the negative attitude adopted by both the board and the institute in giving professional status to estate agents," said Emanuel.

Allied may develop black housing in PE

THE manager of the development company of the Allied Building Society, Bruce Vester, visited Port Elizabeth to investigate his company's possible involvement in local black and coloured housing developments.

"There is plenty of potential in Port Elizabeth but the company's main development has been in the Transvaal and Northern Natal," he said.

"We have nothing in the Eastern Cape at present, but it is our intention to spread our development all around South Africa."

He said there was a possibility of being allocated plots at Port Elizabeth's black Kwaford township, and the company would probably be allocated some plots in the coloured area of Bethelsdorp.

He added that he would be returning to Port Elizabeth as the developments took place.

Vester was born in Port Elizabeth and completed his education at the University of Natal, where he graduated with a degree in quantity surveying.

Tollgate what it offers M & R

RDM 24/6/80

By HAROLD FRIDJHON

MURRAY & Roberts is said to be the bidder for control of Tollgate Holdings whose shares have been suspended on the Johannesburg Stock Exchange.

It is believed that M & R, which has been steadily diversifying its investment portfolio, is interested in all the Tollgate assets, except the insurance group.

Tollgate is a well-diversified operation which includes Cape Town and Port Elizabeth transport companies, finance and investment undertakings, property, the Shield insurance group, which underwrites both life and short-term cover, and some manufacturing and service companies.

The price at suspension was 430c which gave a yield of 4,6%. The last accounts, those for the year to June 30, 1979 showed a net worth of 438c, with net assets of R50-million.

The accounts state that the profit of the Shield Insurance group were not consolidated, but it was not explicitly stated whether or not Shield assets were included other than as an investment.

The directors control 35% of the capital directly, but it is possible that the holdings of the Pasvolsky family could constitute control because the company was built up through the efforts of Mr I Pasvolsky.

If Shield is left out of the deal, it might continue as a separate entity or it might be sold to another insurance group. The group's assets are R43-million.

58

Tollgate what it offers M & R

RDM 2/6/80

By HAROLD FRIDJHON

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Sanlam sees 5% growth

RDM 3/6/80

58

Financial Reporter

SANLAM'S economic survey for May does not foresee the anticipated severe recession in the United States having any substantial effect on the South African economy this year.

The survey expects South Africa to have a real growth rate of between 5% and 6% this year.

Less favourable international economic prospects, however, may cause South Africa's balance of payments to be weaker in 1981 than has been expected, particularly if the gold price should drop sharply.

Sanlam foresees short-term interest rates in this country moving mainly sideways in the next few months, but from the third quarter of this year it is expected that rates will start to harden. It expects that there will also be an upward pressure on long-term rates in the second half of the year.

Because of indications that the rate of economic activity will accelerate further in the next 12 months, the Sanlam survey expects that the demand for skilled and semi-skilled labour will increase to such an extent that enterprises will find it increasingly difficult to satisfy their labour requirements.

3/6/80 ARGUS

(58)

Building societies take in R1 700-m

Financial Editor

THE outlook for house loans, the problem of inflation, and the reduction of the tax-free limits for subscription shares were discussed by the president of the Association of Building Societies, Mr H J Dodds, in a speech in Cape Town last night.

He told a gathering of Government and building society officials that the building societies increased their capital and deposits by R1 700-million in the 12 months ended March, even though some societies restricted the inflow of funds.

This inflow led to the societies lending R3 400-million in the 12 months period, of which 80 percent was for new or existing houses.

Loans for houses had been available virtually on demand and should continue to be readily available for the rest of the year.

LOW RATES

Perhaps the biggest problem facing building societies was the disparity between the low level of investment rates and the inflation rate. It had always been of concern to building societies that those who saved and invested, especially older people and pensioners who had been prudent enough to set aside money for their old age, found the value of that money eroded by inflation.

By contrast, those who borrowed from building societies on attractive terms repaid their loans in depreciated rands.

DISAPPOINTING

It was disappointing that the tax-free limit on subscription shares was to be phased down from R150 000 a person to R50 000 a taxpayer by the end of 1984.

If this marked the beginning of a move away from tax benefits on investments and from subsidies generally, it would have the effect of increasing the cost of money to building societies and of raising the rates of interest charged on home-ownership.

If the mortgage rate continued to be the sensitive socio-political factor that it had been in the past, consideration should be given to granting borrowers alternative relief should lending rates rise unduly.

This could take the form of allowing deductions or rebates for purposes of home mortgage interest.

Anglo strides on—assets hit R8000m

STAR 3/6/80 (58) (28)

By Colin Campbell
Deputy Financial Editor

Market value of Anglo American Corporation's listed investments at March 31 had swept past the R5 000m mark from the previous year's R3 000m level, to bring the corporation's total assets to R8 177,9m.

All round, it was a very good year for Anglo whose profit to ordinary shareholders was R306,6m against R202m previously, and whose total dividend payment rises by 52,2 percent from 46c to 70c a share.

Net earnings translate into 136,1c a share against 90,2c a share previously, but if the share of undistributed profits of the investments in which it and its associates have 20 percent or more were taken into account, the estimated total earnings for the year ended March would have been 260c a share against 184c a share previously.

RECORD

Fuller details of the record year will be furnished in the annual report due at the end of the month, but gold contributed a good half of the corporation's investment income, which moved ahead from R220,6m to R321,4m, or by 45,6 percent.

Anglo's deputy chairman, Mr Gavin Relly is personally bullish about gold — a view no doubt shared by his colleagues — and says there are more things running for gold than against.

Though gold has obviously played its part in Anglo's record results, Mr Relly said there had been a good all round "across the board" peformance.

The total dividend of 70c a share covered 1,9 times returns 4,8 percent on last night's share price of 1 450c.

Anglo didn't have much news to say about the recent acquisition of a stake in Cons Gold, and the broad thoughts about the prospects in Zimbabwe could be labled "warm" rather than "hot," though now that Zimbabwe has access to world markets Zimbabwean operations should do well.

Anglo stopped prospecting because of the war — whether it picks up the shovels again depends on how the politics and the economics and the new state develop.

Anglo's forecasts and hopes for the current year will be spelt out in the annual report — but clearly if gold gathers strength, and if South African industrial concerns in which Anglo has roots continue to move ahead, then 1980-81 should be a very good year again.

All round, Anglo remains a solid and promising share.

'Dawn raids' battle 'not worth fighting'

STAR 3/6/80

~~232~~ 58 ~~210~~

The Star Bureau

LONDON — The financial editor of The Times has dismissed the controversy over "dawn raids" — such as the De Beers Consolidated Goldfields and Charter Consolidated-Anderson Strathclyde operations — as a battle which is not worth fighting.

"One can think of plenty of battles worth fighting on behalf of small shareholders, but this is not one of them," is the concluding comments in the Financial Editor column published yesterday.

The Times' column points out that Lord Shawcross, chairman of the city takeover panel, tacitly admitted that while "dawn raids" were a cause for concern it was difficult to know how to deal with them.

Says The Times: "The issues which concern the authorities are whether some shareholders — by implication the small ones who normally do not have direct and immediate access to the market — are being unfairly treated."

The other concern was "How to allay suspicions that large shareholders may have been tipped off beforehand that such an operation is to get under way."

But The Times considers that possible rules — such as enforcing partial bids or lowering the current threshold under which a full takeover is obligatory, from 30 percent to 20 percent — would only fetter the market.

The "dawn raider" is not a new phenomenom, it says, and the existing takeover code ensures a "fair crack of the whip" for shareholders in the event of a bid while monopolies legislation can force disinvestment "in extreme cases."

"The real answer is to let the market be. The small shareholder may well be at a disadvantage when the dawn raider arrives — but there are other occassions (when, for example, he wants to sell his shares) when he is at an advantage," says The Times.

Bank sets up bursary fund

STAR 3/6/80

~~61~~ ~~100~~ 58

A Standard Bank bursary fund for commerce students from Bophuthatswana has been announced by the managing director, Dr Conrad Strauss.

Speaking at the opening of the congress of the Bophuthatswana Federated Chamber of Commerce, Dr Strauss said an initial amount of R5 000 would be donated. Three bursaries would be payable at R500 annually over a three-year period with the balance kept as reserve.

The broadening of Bophuthatswana's financial system and the ability to generate capital domestically was a necessity, but was not a sufficient condition for improving growth.

NEW ERA OF PROSPERITY FOR BUILDERS

3/4/80

Argus Correspondent

JOHANNESBURG. — The house building industry has surged ahead in line with economic recovery, and for the first four months of the year the value of work in hand has increased by nearly 100 percent over the same period last year.

The builders went into the new decade confident that they are entering a new era of prosperity after years in the doldrums, and the latest figures from the Department of Statistics can only underline this enthusiasm.

For the four-month period the total value of building plans passed hit R661,1-m — a 72,6 percent increase over the R383,9-m for the same time in 1979.

But it is in the residential property market that the most significant boost in building activity emerges, a trend which will be welcomed by estate agents who are operating in a buoyant, but understocked homes market.

Plans for all forms of residential building — the figures represent about 90 percent of total building work in South Africa — have peaked at more than R352-m, compared with R183,9-m last time.

And here again, the figures indicate a stronger thrust coming from the flat block developers, who are now taking advantage of the opportunity of greater return on invested capital now that rentals move upwards.

For the first four months of this year, plans for new homes were valued at R286,6-m as against R160,2-m previously, and while much of the increase can be put down to building cost rises and inflation, it is a sizeable increase in home-building which must augur well for the rest of the year.

Indeed, 'residential' plans passed for the whole of last year totalled R677-m, which means that the comparable figure this year so far is more than double the annual 1979 amount — and there is still eight months of 1980 to go.

The same applies to the rest of the building sectors, and with the total reaching R661-m for the four months, there is undoubtedly a record ahead on the overall 1979 value of R1 325-m.

BUSINESSES

Another clear pointer to the improving scene in construction are in the figures relating to non-residential buildings.

With manufacturers and businessmen eager to meet the demands which the new wave of prosperity in the country must bring, expansion and extension are now obviously coming out of the planning stage.

Industrial and commercial premises are being built in greater numbers — with the figures showing a 56 percent rise over the first four months of 1979 (140,6-m compared with R90,2-m).

R1 000m UBS loans

58

RDM 3/6/80

Financial Reporter

HOME LOANS totalling more than R1 000-million were granted by the United Building Society in the year to March.

That is equivalent to about R3 300 000 each working day.

The directors say: "The improvement in the state of the country's economy was reflected in an active domestic property market accompanied by rising prices.

"A noticeable increase in the volume of new house construction was encouraging."

At March 31, R2 300-million was owing to the UBS on 141 441 mortgage loan accounts — another record.

Total assets of the UBS increased by nearly R494-million to more than R3 100-million in the last year, the annual report shows.

Afribank profit up

RDM 3/6/80

THE African Bank is showing steady growth and its capital base will have to be increased.

Taxed profit for the six months to last April rose to R44 000. from R33 000 in the previous full year to October 1979, enabling the bank to start recouping initial losses.

Customer deposits increased to R14 059 000 from R12 186 00 at the end of October 1979 and advances were up at R7 930 000 from R6 207 000.

Prospects are good for the remainder of the year, say the chairman, Mr S M Motsuenyane, and director Mr S J J Lesolang in the interim report.

Finbank growth assured

(58)

RDM 3/6/80.

Financial Reporter

FINANSBANK is assured of growth for the next few years and dividends should show reasonable increases, but the chairman, Mr P Liebenberg, warns that cover will have to be 2,5.

He says in the annual report that present dividend cover must be viewed in the light of annual transfers to undisclosed reserves. Finansbank depends on traditional and relatively stable banking sources for part of its income, but an increasing of income is derived from fees, commissions and profits of an irreglar or less stable nature.

A cautious dividend policy is necessary "to facilitate reasonably rapid capital formation and resultant organic growth".

Finansbank's disclosed capital and reserves should pass R15-million this year (almost R10-million at the end of last March) and assets should rise to above R200-milion (R133-million at the 1980 yearend).

The bank's taxed profit increased to R1 300 000 in the year to last March from R1-million in 1979, equal to earnings of 38c a share before the rights issue against 31,9c last year. The dividend total was raised to 16c from 12c.

The yield on shareholders' funds rose to a record 20,6%.

One of the reasons given by Mr Liebenberg for not seeking a stock exchange listing is that there would be no sellers of shares.

Plenty of funds left for homes

(58)
RDM 4/6/80
~~123~~

PROPERTY REPORTER

THERE is no sign yet of any drying up of mortgage funds, judging by the R1 000-million plus that the United Building Society lent in the year to March 31.

That is more than R3 300 000 for each working day.

The UBS says in its annual report that share capital increased by R266,6-million to nearly R1 476-million, made up of R652,7-million in indefinite period shares, R366,3-million in tax-free shares, R253,6-million in fixed period shares and R204,3-million in subscription shares.

Deposits rose R208-million to R1 505-million, made up of R739-million in fixed deposits, R755,5-million in savings deposits and nearly R10-million in the recently introduced transmission deposits.

A total of 23 new branches and sub branches was opening during the year, bringing the number of United branches and agencies to more than 750.

Improved economic conditions are reflected in the results achieved by the UBS Development Corporation in the past financial year, during which sales of housing units totalled 477 (including 159 sectional title units), compared with 220 (including 57 sectional title units) during the previous year.

The directors say: "Notwithstanding substantial rises in building costs, the corporation is continuing with its policy of providing good quality housing at reasonable cost to meet the ever increasing demand for both conventional and sectional title dwelling units".

The corporation has also extended its operations into the field of housing for blacks, coloureds and Indians.

Short-term underwriting results of the UBS Insurance Company continued to be adversely affected by the incidence of storm claims which remained at a high level throughout the year.

Premium income amounted to R7 399 000, an increase of R729 000 over the previous year.

There was an underwriting loss of R52 000 for the year ended December 31, 1979, compared with a profit of R45 000 the previous year.

However, increased investment income resulted in an after-tax profit for the year of R975 000 compared with R800 000 in 1978.

An unchanged dividend of R500 000 was declared. The total assets of the company now exceed R28 500 000.

BUSINESS MAIL

Consure's strong base for growth

RDM 4/6/80 58

Financial Reporter

CONSTANTIA Insurance Company's stronger asset base — improved by the injection of a R1 140 000 profit on the sale of the Nedbank Mall — will provide the necessary resources for development this year, says the chairman, Mr Natie Kirsh, in the annual report.

In spite of the continuation of a rate war in the short-term market, Constantia's greater penetration of the entire insurance market and growth in the motor business point to a favourable outlook.

The company was successful in broadening its business base last year, increasing non-motor premiums to 18% from 6%. This represents a three-fold increase over the 1979 non-motor contribution.

As reported recently, Constantia enjoyed growth in both gross and net premium income of 45% and 36% respectively in the year ended last February.

Mr Kirsh says the company will continue to emphasise quality rather than quantity in its underwriting, but it has to accept that it cannot charge above current market rates.

Premiums will have to harden substantially for insurance companies to earn a fair return on underwriting.

In its underwriting account, Constantia turned around a loss of R433 000 in 1979 to a profit of R79 000 for the year to February.

Earnings rose to 17,2c from 1,9c and a 6c dividend was declared. There was no dividend in 1979.

Hosken in R1,54m bid for Cape Trustees

CAPE TIMES 5/6/80

(58)

BY PAUL DOLD, Financial Editor

Hosken Consolidated, the Johannesburg-based quoted insurance group is the mystery bidder for Cape Trustees and Executors. The identity of the bidder became known yesterday when it was disclosed that Hosken had made a formal R21 bid for each share in Cape Trustees which puts a price tag of some R1 541 988 on the offer.

With Cape Trustees board recommending acceptance Hosken looks set to take over the company and more specifically gain control of a valuable general banking licence. The Registrar of Banks has approved the deal in principle. The offer is conditional on at least a 50 percent acceptance.

At the same time a Cape Town consortium which had evidently begun buying in Cape Trustees shares at R19,30 has told the board that it will no longer submit an offer. The identity of the local consortium has not been revealed but is believed to include a number of well known local businessmen.

By pitching its bid at R21 — well above the balance net asset value of R14,76 — Hosken should ensure acceptance by the majority of shareholders

The R21 offer places a value of about R490 000 on the group's banking licence and trust company rights

Liquidation

A significant aspect of the deal is that Hosken is to sell the insolvency liquidation and judicial management business to a company controlled by Cape Trustees existing management

This company will be controlled by Mr F D Glaum, Mr A de V Joubert, Mr R Millman, Mr J J Rousseau and Mr P T C Thorne and will continue to trade as Cape Trustees. Hosken says it will change CTE's name to one which will not include Cape Trustees. Thus the independence of Cape Town's largest liquidation and judicial management company has been assured.

"It is further intended that the administration of deceased estates and property activities presently conducted by CTE in Cape Town will continue under Cape Trustees Limited, which will maintain the present high level of service," Hosken says.

The offer is valid from yesterday until 4,30 pm on June 20 and this can be extended if necessary.

The offer documents say that if acceptances are received for more than 50 percent of the issued shares the offer shall automatically no longer be conditional on HCI receiving an 100 percent acceptance.

Hosken has reserved the right to invoke the provisions of Section 321 of the Companies act for compulsory acquisition of outstanding shares. For this section to become operative not less than nine tenths of the shares must have been cast for the offer.

FM · 6/6/80

(58)

RETCO

Long haul ahead

Activities: *Property investment and development. Offices and parking provide 47% of rentals, shops 36%, residential 14% and industrial properties and hotels 3% of income. SA Breweries owns 32% of the equity.*

Chairman: *R J Goss, managing director J G Ward.*

Capital structure: *65,2m ordinaries of R1. Market capitalisation R37,2m.*

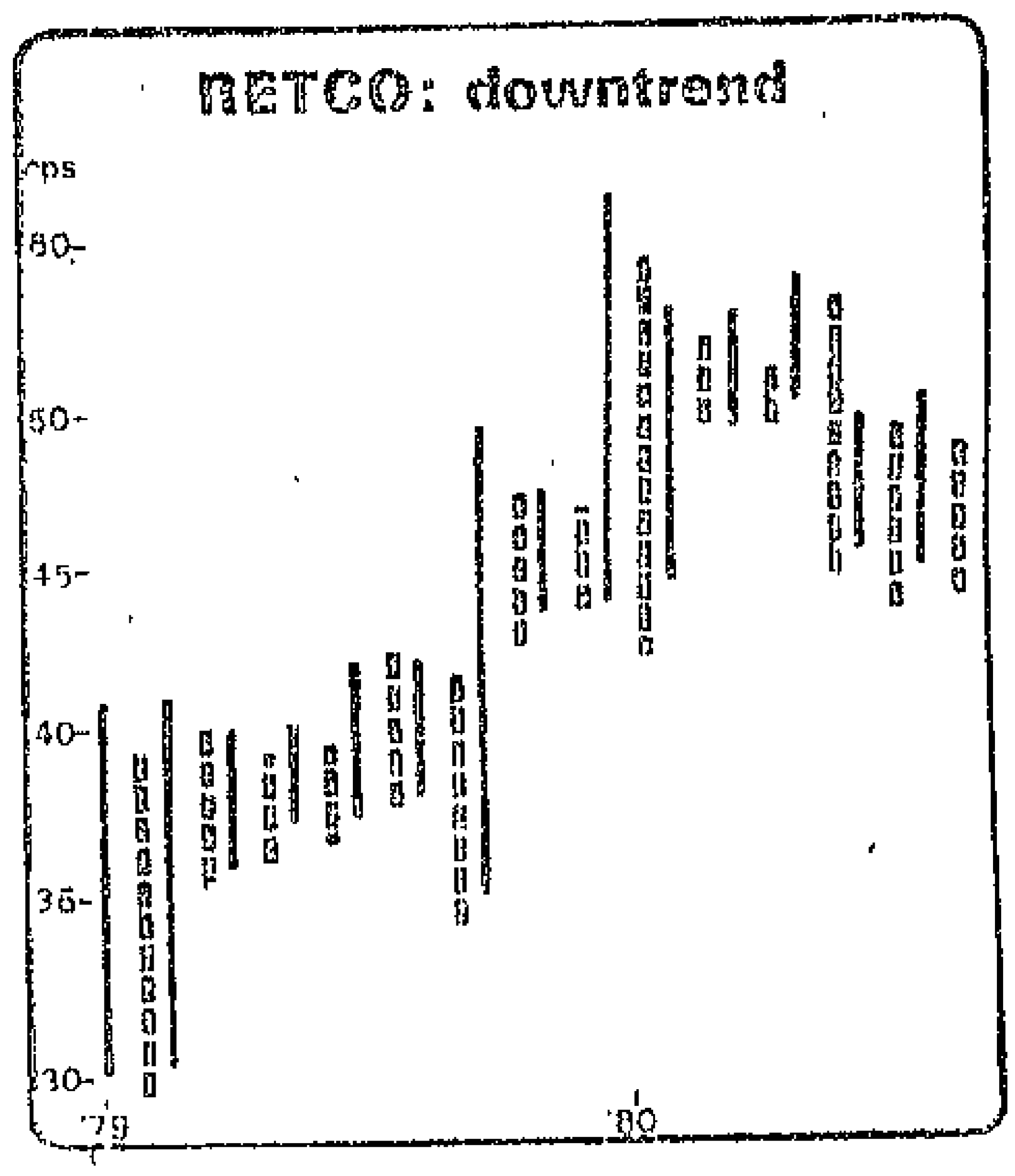
Financial: *Year to February 29 1980. Borrowings long- and medium-term, R51m. Net cash: R2,1m. Debt equity ratio 74,9%. Current ratio: 1,1. Net cash flow, R758 000. Capital commitments R1,5m.*

Share market: *Price 57c. (1979-80 high, 79c, low, 31c, trading volume last quarter, 3,3m shares). Yields 4,5% on earnings, 3,5% on dividend. Cover 1,25. PE ratio 22,9.*

	'77	'78	'79	'80
Return on cap %	9,1	6,5	6,6	6,6
Rental income (Rm)	11,0	11,3	11,9	13,1
Pre-tax profit (Rm)	7,4	3,8	3,7	2,9
Earnings (c)	6,8	3,5	3,5	2,5
Dividends (c)	6	3	3	2
Net asset value (c)	108	109	109	106

With improved rentals and occupancies, Retco is looking to a modest improvement in earnings this year. But, says chairman Dick Goss, for meaningful increases shareholders must look to the longer term.

In line with the improvement in the property sector, the group was able to



reduce vacancies last year by 18%. Gross rental income, however, was up only 7% -- partly reflecting the fact that the improvement came fairly late in Retco's year -- and the benefits were eroded by a 13% increase in expenses. Thus, of the R1,1m additional income which the group received from its properties, R566 000 (51%) was absorbed through operating expenditure, leaving gross profit from properties, before charging interest, only 7% higher at R8,2m (R7,6m).

Even this gain was offset by lower property sales and a 28% increase in net interest payable, leaving overall group profits lower for the fourth consecutive year.

Cont

However, management is satisfied that the property cycle — which is considerably longer than those of other sectors of the economy — has bottomed and that improved returns can now be expected. But it must be emphasised that the recovery is likely to be gradual, hence Goss's warning to shareholders not to expect too much in the short-term.

Apart from the rental aspect, the improvement in the property market should have another positive influence through the increased potential the company now has to sell undeveloped, non-income producing land. Last year sales dropped from R3,1m to only R714 000 and the profit from disposals was down from R508 000 to R145 000.

Disposal or development of vacant land is in fact, one of the keys to Retco's future, representing as it does almost 19% of the total property portfolio. Even developed properties, on average, are showing a gross return of only 9% before interest charges, but after taking into account non-income producing assets the gross return on capital employed is only 6,6%.

This is about 3,5 percentage points less than the group's average cost of borrowings, and to eliminate the negative gearing on the existing portfolio, gross profits would have to increase to over R12m, or half as much again as the R8m earned last year. By way of contrast, if the non-income area of the portfolio is excluded, and assuming a commensurate reduction in total capital employed, the increase in gross profits necessary to overcome the gearing problem would be only 24%.

It is probable, however, that instead of reducing capital employed, funds released through property sales would be used in the refurbishing of some of the group's older properties, particularly in the Johannesburg CBD, thus upgrading the portfolio and maximising its rent potential. But benefits would probably not accrue for two to three years.

The balance sheet shows little change from 1979, other than the R2,5m write-off of the investment in Longtill after two of its major subsidiaries went into liquidation — this accounts for the 3c drop in net worth to 106c. Liquidity remains satisfactory, borrowings were maintained at previous levels, and the group was able to increase its cash holdings by R1,1m to R3,6m despite its liberal dividend policy, and the internal financing of a R1,3m purchase of an apartment block in Ilranda. Since the year end it has bought another block of flats in Sandton for R1,0m.

At 57c the share yields an historic 3,5%, which is inadequate under present market conditions. The price is, however, probably buoyed by hopes of another bid, now that SA Breweries has indicated its willingness to sell at the right price.

Jean Thompson


Retco's Ward . . . a gradual recovery

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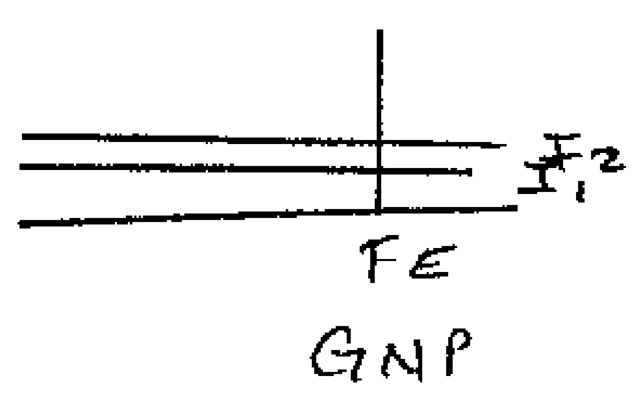

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Midwits doubles final

58

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RDM 26/6/80.

By ELIZABETH ROUSE

MIDDLE Witwatersrand, the mining exploration, finance and investment arm of the Anglovaal group, emerges as the star performer among the group's top companies.

All have boosted their dividends on record June yearend profits, the mining investment companies' excellent results having been foreshadowed by the sharply higher dividends declared by Anglovaal group mines earlier this week.

Midwits, whose investment portfolio includes Hartbees, Buffels, Harmony and Zandpan, has raised its final dividend to [illegible]c from 22,5c, which lifts the year's total by 86% to 65c from last year's total of 35c.

Midwits taxed profit climbed by 87% to R13 [illegible]41 000 in the year to June from 1979's R7 236 000.

The top company, Anglo-Transvaal Consolidated, achieved a record taxed profit advance of 59% to R37 163 000, equal to 8[illegible]c a share compared with 54c a share earned last year.

The final dividend on the ordinary and A ordinary shares has been increased to 180c from 120c, raising the total by 53% to 230c from 150c. The dividend is in line with market expectations.

Anglovaal's profits have more than doubled over the past two years.

Anglovaal's improved results were achieved after considerably increased expenditure on mineral exploration. The higher profit stems mainly from increased mining company dividends, increases of more than 40% in industrial companies' earnings and higher profits on realisation of investments.

The final dividend of the company's participating preference shares has been lifted by 30c to 95c, bringing the total to 125c from 85c.

Anglovaal Holdings final has been increased by 6c to 18c, giving a 55% increase to the year's total at 22,5c compared with 14,5c paid last year. Estimated taxed profit was R895 000 higher at R2 254 000.

Anglo Transvaal Industries annual dividend has been raised by 42% to 34c from 24c on a 44% rise in taxed profit to R25 250 000 (R17 577 000). The dividend is better than expected, estimates having put distribution at 32,5c.

SANLAM FM 6/6/80 (58)

Bayside bargain?

The Durban part of Sanlam's R70m property spending spree since October includes R8,5m for John Ross House on the Esplanade. All Sanlam will say about yield is that it is somewhere between 9% and 11% placing it well above Old Mutual's 7% on Durban Bay House (*Property* May 9).

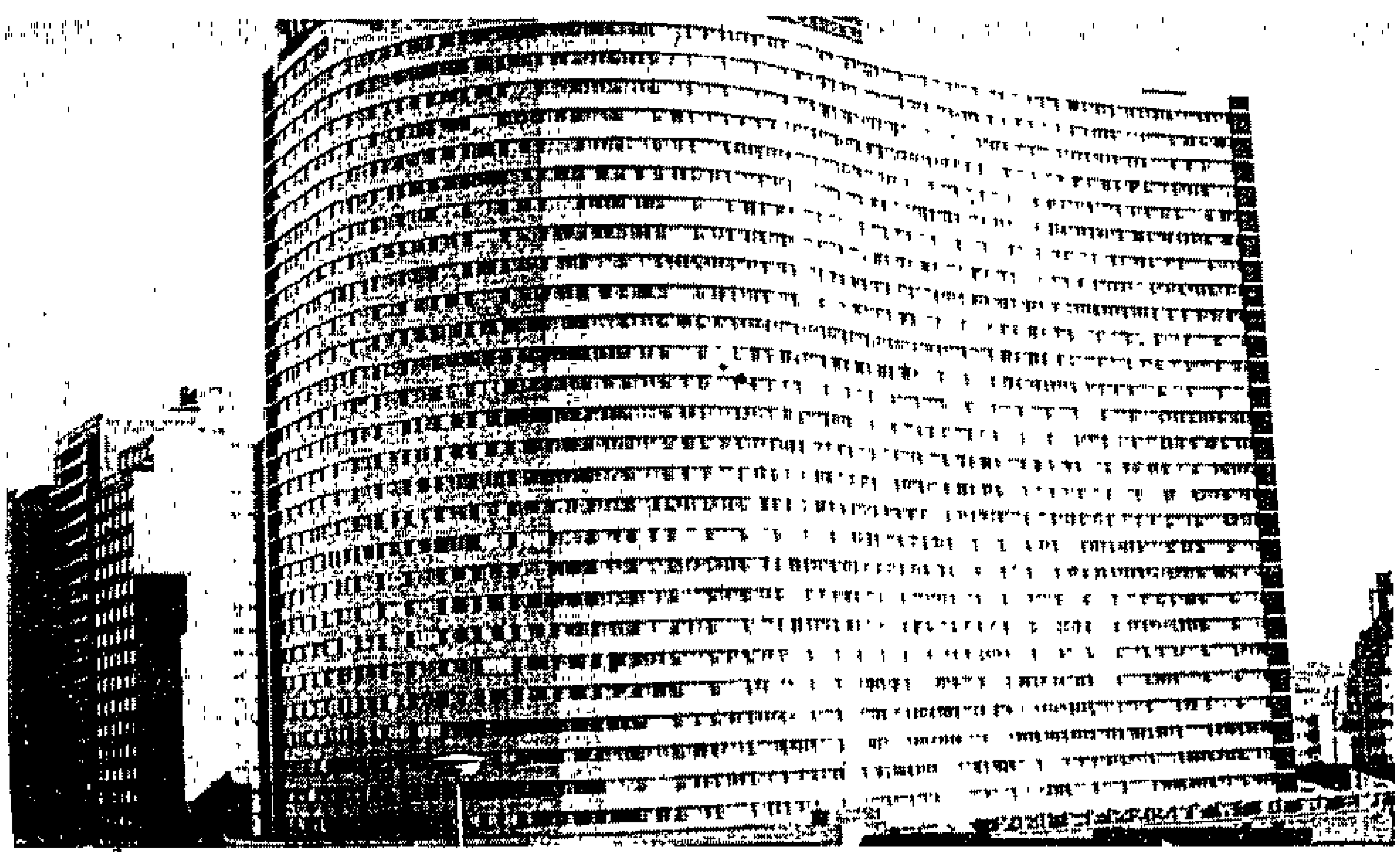
It's no secret that Cayzer Irvine burned its fingers in developing John Ross House. Only recently has it been able to fill the 500 flats, and many of those let during the lean years were at subsidised rentals.

The office space has been in fair demand and the undercover parking for 400 cars is a draw.

Sanlam's man in Natal, Ben Lochner, believes that flats within walking distance of the CBD are a good bet, and certainly it would cost two to three times the purchase price to build a similar block today. Sanlam is also looking hard, says Lochner, at its problem site next to the Edward Hotel on Durban's Golden Mile.

For years it has been used as a vacant parking lot after viability studies gave the thumbs down to holiday flats. With times changing, the arithmetic may show more promising results.

Another Sanlam venture in Natal, likely to cost over R3,5m, is a shopping development at Queensburgh with Pick n Pay as anchor tenant.



Sanlam's latest . . . out-yielding the Mutual

(132)
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(58)

ESTATE AGENTS BOARD FM 6/6/80

New war on the wicked

Parliament has duly handed the Estate Agents Board sweeping new powers to clean up problem areas in the property industry.

The new Act, gazetted last week, closely follows the Bill (*FM* Property February 22) and thus increases maximum penalties to R5 000 fines and five years jail. It also confers iron-fist rights on board inspectors to raid estate agents without warning and seize documents. This provision will be introduced by proclamation later.

The new legislation also grants more powers to the board to enforce minimum educational qualifications, and take a final stand on that hoary old chestnut — home-based agents.

Of more interest to most agencies are the new rules governing the operation of trust accounts. Since the Act's inception the board has been losing out on the interest it expected to gain from money in trusts.

Buyers can claim the interest for themselves by asking for it in writing. Few even know they have the right, so the money theoretically goes to the board

But because estate agents are no different from other businessmen, they have generally seen no benefit in going to the trouble of switching trust money to interest-bearing accounts merely to send the proceeds elsewhere. Now they will have an inducement.

The amended legislation empowers the board to share the spoils with the agent concerned. In this way there'll be something in it for both the agent and the board. Terms of the split will be decided later.

There will be tighter control on balancing the trust books as well. Previously they had to be reconciled every quarter. Now it's going to be every month. Good business practice should demand a monthly balance anyway.

Agent reaction to the Bill was understandably antagonistic. There are many who still believe there is no need for legislation of any kind. But, ass or not, the law has to be kept. And that's the problem because in thousands of cases it isn't.

An idea of some of the problems the board faces was given by chairman Peter du Plessis at the Estate Agents Convention in Johannesburg this week.

An enormous amount of the board's time, Du Plessis confirms, is taken up with persuading the trade to comply with the regulations.

"I cannot begin to tell you how frustrating — in fact, downright irritating — it is to have to police supposedly grown-up, responsible men and women," he complained.

The problem, of course, is to ensure that applications for fidelity certificates are made on time; or that the required notification is given when salespeople leave the industry.

Grumbles Du Plessis: "So many of the very people we are trying to help have neither the business acumen nor the basic courtesy of simply doing what they know has to be done."

The board has mounted scores of prosecutions to bring the message home. It hasn't helped much, so there's going to be even more sting in the tail from now on.

The board, Du Plessis announced, is now working on a system of automatic penalties for the tardy. Applications made a month late will face a 10% surcharge, if two months overdue the fine will be 20%, and thereafter the penalty is 30% plus prosecution for operating without a certificate.

Tough measures, and they'll probably help. But if the board thinks it can fully control the industry at a time when there are thousands "passing through" it's surely in for a disappointment.

6/6/80

BUILDING MANAGERS FM

Cost-squeezed 6/6/80

58

To hear J H Isaacs's Les Weil tell it, building managers operating in the Transvaal are lucky to be in business.

For one thing, Weil told the Estate Agents' Convention this week, they are grossly underpaid. For another, lags in rental escalations are making it impossible to keep income in line with increasing overheads.

The management game operates on a high break-even anyway, so he has a point when he says that the 2,57% of collection is too low. Elsewhere in the country, the figure is 5% to 6%. That's what it costs most institutions, for example, to do the work for themselves.

Like most service industries working on percentage fees, the building managers are also caught between inflation on the one hand and fixed rental on the other.

Thus salaries, which represent 70% of costs, regularly increase while much of the income remains static because it is based on rental income. And if tenants have signed long leases at low rentals, too bad for the agent.

Many others are being caught the same way. Weil points out that rentals may have risen considerably over the last year, but the higher rates usually apply to only a small portion of the buildings. Hopefully, that will adjust as time goes on, but it's just another indication of the folly of tying up long leases at low escalations in the recession.

Those who had to do it or die had no choice, of course, but even the institutions fell into the trap. They should have known better.

What it means is that the agent has to achieve an increase in fees or try to maximise existing capacity to keep up. If capacity is already full, new costs have to be incurred. And so it goes on.

But Weil was quick to admit before his estate agent audience that building managers have their faults as well.

Isaacs' Weil . . . the managers need more

The Institute is pretty clear on what constitutes a management service and the fees are pitched accordingly. But it's no secret that some managers aren't providing full value while drawing full payment.

A particularly susceptible area is maintenance service and Weil suggests that landlords should have a good look at their agents to ensure they are coming through with the full package.

One way to make sure the agent operates in everyone's best interests is to make him a partner. With all the talk of new joint undertakings between institutions and agent/developers that's very much on the cards. But only the biggest can afford to get involved with equity. The rest will have to muddle through on their own.

FM 6/6/80 (58)

Merry month of May

The money market went through the May month-end in unusually fine style due to an unexpected build-up of liquidity, and the discount houses managed to avoid seeking Reserve Bank accommodation for the first time in over a year.

Market dealers say money flowed in from government spending, Land Bank financing of this year's maize crop, and maturing foreign bills. Some indication of the higher level of liquidity was provided by the size of last Friday's Treasury Bill tender, which attracted R78m on the eve of the month-end. Even then, a small shortage was expected. Instead the NFC, borrower of last resort, actually maintained a surplus.

Notes sent into circulation at the end of last month for wage and salary payments are now returning and the market is flush with cash, which is putting some downward pressure on short-term rates. The discount house call rate was lowered by 10 points on Tuesday to 4,50%, its mid-May level, but the official rate for 90-day acceptances is still holding up at 5,20%. Most demand is focused on September BAs and on the Reserve Bank's tax Treasury Bill, which is said to carry a rate of 4,60%.

The secondary capital market, by contrast, remains extremely quiet, and the rising rate pattern reflects continued investor disinterest. Depending on the coupon, long-dated RSA's are currently trading between 9,50% and 9,60%, and long-dated Escoms between 9,95% and 10%. The Escom rate has risen 20 points in the last fortnight and the RSA rate by about half that. Dealers report that the Public Debt Commissioners have recently bought around R30m worth of RSA stocks, which has kept the rate from hardening too severely. So far the PDC has concentrated solely on gilts, but experts say it could perform the same stabilising service for Escoms if the rate moves towards the 10,10% level.

Imminent softening?

There is a school of thought that believes we are witnessing a phenomenon similar to last year, when rates moved up in an artificially thin market until Escoms were at 10,10%, at which point the large institutional investors came back as buyers and rates eased again. Institutional cash flow imperatives, the build-up of premium and investment income, will not permit them to stay out of the market much longer, it is argued. And they cannot afford to invest in low-yielding short-term paper indefinitely. This factor and the underlying liquidity in the economy point to an imminent softening of rates, by as much as 20 points.

The argument is supported by the fact that trading volumes in stocks on the JSE have increased recently. But this could be misleading since most of the current trade is confined to switching. And the institutions are tending to look more closely at the buoyant property market for their investment needs.

This is the month of the municipalities in the primary market Finansbank is handling a R10m issue for Port Elizabeth (much of it conversions) broken into seven- and 12-year tranches at 8,41% and 9,47%. The 12-year rate is five points above Armscor's well-received 9,42% for the same period, reflecting the status differential between the two. Although PE is considered to be an established and marketable municipal borrower, its paper is not government-guaranteed. The issuers have opted for shorter-dated loans in keeping with what appear to be current market needs.

Brits is in the market for a 20-year loan at 10,05%. The stated amount is R2m but subscriptions have already exceeded that and an option on another R1m will probably be taken up. Springs is also coming to the market, while Vereeniging and the SABC have postponed their issues. Meanwhile, the tentative rates set for Armscor's R50m have been finalised at 9,90% for 21 years, 9,42% for 12 years and a six-year tranche at 8,38%.

The controversial Corporation for Economic Development issue, which came to the market last month at an unexpectedly high rate, was closing as the *FM* went to press. The R12m offered appears to have been fully subscribed on sub-underwriting, but not without the judicious cultivation of investors having long standing relationships with the CED.

BANK QUARTERLIES FM 6/6/80 58

Contingency measures

The most noticeable trend among the big five commercial banks is that cheque deposits have continued to grow at a much faster rate than total deposits. According to experts, with call rates at about 2,5%, and other interest rates at low levels, depositors have had little incentive to move money into interest-bearing deposits. Inflationary expectations, the psychology of spending before prices rise further, were another likely factor.

Holdings of NCDs by all banks, including the merchant banks, have increased minimally and in some cases been run down. This kind of deposit is generally used as a type of top-up funding and becomes unnecessary when liquidity is high, as has been the case over the past few months. But both the banks and potential depositors have had reasons for avoiding longer-term deposits.

On the retail side there has been some switching into three-year fixed deposits, but investors in the more sophisticated wholesale market have been expecting higher rates for some time, and have preferred to stay short to invest at a more favourable time in the interest rate cycle. The mining houses in particular have been holding back in order to place funds in paper with maturity dates that coincide with their taxation calendars. Two-year deposits, say the banks, are impossible to find.

But until overdraft demand picks up and liquidity tightens, the banks themselves see no point in paying up to 6,5% on 12-month NCDs when they cannot profitably deploy the extra funds obtained in the short term.

Acceptances, on the other hand, have increased sharply. The differential between the prime overdraft rate (which is linked to bank rate and is currently artificially high) has resulted in a spillover into cheaper acceptance financing. Since acceptances are rediscountable, they can be sold into the money market and thus provide a way for banks to lend without taking in extra funds.

The market in acceptances literally exploded in December when the switching of trade finance from foreign to domestic markets was at its peak. However, since the Reserve Bank widened the forward margins last month to encourage offshore financing, banks report a drop in local acceptance financing. The June quarterlies should reflect this position.

Contingent liabilities including promissory notes, letters of credit, off-shore bills and so on also increased during the first quarter and should continue to grow until interest rates on all categories of lending reflect true market conditions.

Most banks ran down their investments over the year and placed large amounts of money at call in the money market or with other banks in anticipation of higher interest rates.

A majority of merchant banks diminished their deposit holdings in response to decreased demand for overdrafts and moved further into the acceptance markets.

As the tables show, banks involved in hire purchase and leasing saw yet again a dramatic rise in this type of lending. Instalment credit demand from individuals continued its remarkable growth, but banks report that loan demand from the

DIAGONAL STREET FM 6/6/80 (58)

Going all ways

News of Stilfontein's strike and the way it was settled sent shivers down the spines of foreign investors who were already prepared to write SA off in the wake of Sasol and unrest throughout the country. As one London broker put it: "I'm getting right out of gold shares and into bullion."

South Africans, on the other hand, are, for the moment, taking a more phlegmatic view of developments. The view of many gold bulls is that if foreigners are prepared to push gold up to over \$570 on the basis of a couple of fuel tanks being sabotaged and a brief strike at one shaft of a gold mine, then all well and good. Gold needed a helping hand to escape from the narrow \$500 band in which it has been trading, especially if second-half gold mine earnings are to approach those likely in the first half.

Mind you, brokers are well aware that this week could have seen an almighty crack in golds if bullion's price had not acted as a prop. And if the gold price does weaken over the next week, the shares have considerable near-term downside potential.

Under normal circumstances, this week's dividend announcements from ET Cons, Harties, Buffels, Stilfontein and West Rand Cons should have lit the fuse under golds. The payouts were generally in the upper range of brokers' estimates and point to some solid payouts from mines which have yet to report.

The point is that if gold does maintain its current level for the rest of the year, gold share prices are discounting dividend yields of up to 20%. And given that the country's current security and political impasse is resolved acceptably, dividend yields should not only act as a support for share prices, but result in some snappy performances before year's end.

But, as far as foreign investors are concerned, any re-rating of golds on the basis of their dividend potential has to be preceded by some cooling of the country's flared tempers. At least for the next few months, it will be insufficient for the authorities to be seen to be quelling unrest with *kragdadige* repression and arrests. Even normally conservative overseas investors now want to see what they consider to be realistic and reasonable moves towards resolving the present problems.

Foreign unease was reflected in the sudden dip in the financial rand after Sasol. After trading fairly steadily for some time at around the US93c mark, the FR fell sharply to 91c on Wednesday as overseas selling built up.

Following gold upwards, free market platinum closed at \$610/oz on Wednesday compared to \$557 the previous week. Consequently, Impala moved up from 670c to 680c.

The local interest rate picture is hazy. Although the TB rate moved up slightly last Friday from 4,64% to 4,66%, the rate of climb has slowed and dealers point out that, contrary to earlier expectations, there was no shortage of cash at the month end. Liquidity remains high and the indications for interest rates at the short end of the market must be bearish.

Longer-term paper continues to show signs of an upward trend although a meaningful rise is precluded by the lack of really strong investment demand from the private sector.

With fears of unrest peaking on June 16, industrials have been affected by nervousness. Not surprisingly, Sasol fell from 390c to 360c.

Despite some superficial bravado, the market could remain pessimistic for the next week or so. But it might be right to buy on any weakness just ahead of June 16.

Jim Jones

RDM 7/6/80. (58)

Horwood promises action on insurance

THE DEPARTMENT of Finance would investigate the insurance practice of underwriting risks abroad without benefiting by a return flow of comparable business to South Africa, said the Minister of Finance, Senator Horwood, yesterday.

He said at the opening of a Nedbank branch at Isando it was often alleged that insurers exported premiums in respect of risks that could have been underwritten in South Africa without getting in return foreign business of comparable volume and profitability.

"It is said that too often reinsurance business follows the shortest route overseas, without giving other local offices an opportunity to participate. Indeed, these so-called fronting operations have become common parlance in the industry.

"Apart from the adverse effect this has on our balance of payments, the practice is not in the best interests of South Africa."

By exporting those reinsurance premiums the training of manpower, job opportunities, investible funds for development, profits and taxation profits were also exported.

"We should take a look at the whole problem and my department intends to consult with the industry in this connection."

Regarding the problem of rate wars, he gave the assurance that he had no intention to criticise free competition

"However, when competition reaches fever pitch to the point that business is written on unsound terms, even possibly threatening the solvency of insurers, or generally retards the sound development of a self-sufficient industry growing in harmony with the rest of the economy, then there is good reason for disquiet."

He said the answer perhaps lay in higher solvency margins which would not only introduce a measure of stability but bring the industry more into line with international practice. His department was also looking into this aspect. — Sapa.

Miserly Volkskas profit jumps 33%

(58) RDM 7/6/80.

By DAVID CARTE
Deputy Financial Editor

AFTER AN eventful year, in which it acquired large chunks of Metkor and Legal & General Assurance, Volkskas Group has announced a 33,4% increase in taxed profit to R30 353 000 and a 22% rise in group assets to R3 758 000 000 to the end of March.

Earnings a share gained 31% to 134,3c (1979:102,6c), but ahead of the rights issue of 6 500 000 new shares at 470c after the yearend, dividend cover was stepped up to 4,5, with the result that the dividend rose only 15% to 30c (26c).

The bank contributed R15 600 000, or about half of taxed profit, and after an astonishing turnaround, Bonuskor weighed in with an attributable R5 100 000 (R1 260 000). Bonuskor's Honda motorcycle agency, Midmacor, and its timber interests performed exceptionally. The riddance of bankrupt Vesting was also a boon.

The balance of taxed profit came mainly from Transvaalse Suikerkorporasie, Volkskas Merchant and Industrial banks, Transvaal Malleable Foundries, Mercedes manufacturers, United Car & Diesel, and Volkskas "investments" in Metkor and Legal & General.

The profits of Transvaalse Suikerkorporasie are not disclosed, but are believed to exceed last year's contribution of R5 300 000. Volkskas Merchant Bank contributed an attributable R1 200 000 and the industrial bank R1 300 000. All other operations traded profitably during the year, although UCDD's profits were inhibited by the fuel crunch of last June. The subsequent recovery of Mercedes sales is not reflected in these results because of UCDD's early yearend.

The declared profits are after substantial transfers to hidden reserves. They reflect a return of 16% on group shareholders' funds of R189 100 000 at the yearend.

Stated returns in the bank represented a return of only 12% on shareholders' funds of R129 500 000. A bank spokesman says falling interest rates were a problem, with the bank exposed on some hefty fixed interest lending, although much lost ground was recouped in the money market.

The 6 461 824 shares created by the rights issue brought in R30 366 000. The additional capital will be used as and where needed. Merely to maintain earnings on the enlarged capital base, the group must increase taxed profits R8 600 000, or 28%. To maintain the 16% return on shareholders' funds, equity earnings must be raised R4 800 000. A constant dividend will cost R1 940 000 more next year.

The disclosure provisions of the Banks Act leave all banks with much discretion in the declaration of profits and ahead of a rights issue there was good reason for Volkskas to state things conservatively.

Metkor and Legal & General Volkskas are not consolidated or equity accounted, so, remembering provisions tucked away in reserves in all the banking subsidiaries, earnings are, if not understated, of exceptional quality and dividend cover seems absurdly conservative, even in the wake of the rights issue.

At 610c, Volkskas yields 4,9%, which is much in line with the other Big Five banks. Its PE of 4,9 is way out of line though, and on the face of it, makes it look cheap against the average of 8,6 for the Big Three.

But the sort of conservatism demonstrated by these figures lends credence to the view that Volkskas is not motivated solely by financial considerations and concern for shareholders. Power, patriotism and "the people" come first. So, while the dividend yield may stay in line with the other banks, those earnings will not get due recognition on the market until Volkskas is a bit more generous — with payouts and with information.

...acroeconomics

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Old Mutual has over 40% of Tiger

7/6/80

By DAVID CARTE

WITH some heavy buying last week, Old Mutual — South Africa's biggest stock-market investor — has built up its stake in Tiger Oats to "more than 40 percent"

The word is that Mutual bought between 1 500 000 and 2 m Tiger shares at 1 750c for most of last week out of a sense of "moral duty".

It did this instead of extending an offer of 1 750c to all minorities, following its purchase of shares off the market at this price while Tiger was suspended after a bid by Mr Natie Kirsh for control of Tiger

At the time of Mr Kirsh's first offer to the Mutual for control of Tiger Oats, the Mutual had about 21 percent of Tiger, by far the largest single stake. The Mutual's response to the bid was to suspend the share and then to buy shares off the market from Lamberts Bay and other Tiger associates, increasing its stake to 29 percent. For these shares, Old Mutual paid 1 750c compared with the pre-suspension price of 1 550c.

After the relisting, trading in Tiger Oats was extremely heavy at 1 750c and higher. More than 1 500 000 shares traded last week.

Old Mutual now admits having been a heavy buyer since the relisting of the share and says its stake now "exceeds 40 percent". Old Mutual has apparently stopped buying and the Tiger share price has dropped back.

Some critics are not satisfied with the Mutual's gesture. They believe there should have been an announcement and that the offer should have stood for at least two weeks

Market observers in Johannesburg speculate that the Mutual was inundated with stock while it was buying and that its holdings could exceed 50 percent.

Mr Kirsh is not entirely a loser. Before his bid, he is believed to have built up a significant stake in Tiger. Rumour has it that he sold this to Old Mutual at a healthy profit.

Rand firms

JOHANNESBURG — The rand closed firmer at \$1,2835/46 compared with the previous \$1,2830/40 close and the 1,2835/45 opening in fairly quiet end-week trading

Dealers noted a couple of export orders in spot trading but overall activity was subdued with operators maintaining long rand, short dollar positions over the weekend. Forward trading was negligible.

The Reserve bank's indicated rand/dollar spot rate rose 11 points at the opening to 1,2836/56 and thereafter held steady, while forward discount rates were adjusted up 0,25 pct across the board

Other closing rates were, Stg 181,7510/7510, Dmk 2,2760/80; Sfr 2,1090/110, Dfl 2,4990/5010, Ffr 5 2950/90; yen 282,40/60. — Reuter

8/4/80 SUN TRIB (FIN)

58

Commercial rand may hurt some SA exports

By JACK BRICKHILL

THE strong commercial rand rate is threatening to price some South African exports out of foreign markets.

The strong currency — up five percent in two months against the dollar — reflects a healthy balance of payments position and economy.

The growth rate of exports, which has shown a big rise in recent years, is expected now to level off, particularly in sectors such as canned food, footwear and timber products.

Exporters have other problems. Inflation is taking the competitive edge off some products and the world recession is weakening international demand. At the same time the booming home market is attracting a bigger proportion of production to the detriment of exports.

The currency rate, now at 128 United States cents to the rand, makes imports cheaper but is bad news for exports. Unfortunately for this sector it appears the rate will continue to rise as the economy picks up steam.

estimated by Senbank at R1 500 million in the first quarter, and turn into a net inflow.

A significant part of the capital outflow in 1979 and early 1980, when the Reserve Bank quoted forward margins reflecting a big difference in interest rates between South Africa and other countries, should come back as foreign businessmen repay trade finance facilities obtained in South Africa.

Van Schaik expects export growth, excluding gold, to slow down to 7,5 percent this year while imports rise by 18 percent. While this will affect the balance of payments the pressures on the "managed float" should see the rand continue to rise.

However Syd Sharp of Barclays Bank says the rand is near the top and will steady up around September as the level of imports rises and the balance of payments shrinks. Sharp says if the gold price drops under 500 dollars an ounce reserves will dry up and South Africa might sell

Dr Piet van Schaik, economist at Nedbank, says the rand may appreciate at an even faster rate than in the past few months. The country is in a growth phase, not just for a year or two, but for a decade. He forecasts a balance of payments surplus on current account this year of about R5 000 million.

In the first quarter he estimates a surplus of R2 000 million, but the rate will tail off for the rest of the year. (Senbank puts the figure for the first quarter at R1 750 million).

The real impetus will come from the capital account where the widening of the forward discount on the dollar should plug the outflow,

The boom in imported goods means the growth of employment in the country will be insignificant. "The exchange rate policy and the economy are out of step," he says.

Senbank says the rise of imports and the slower growth of exports will limit the upward potential of the rand

Not all exporters are dismayed at the strong rise of the rand. A Cape Town exporter of suits says in the long term the stronger currency should help contain inflation and keep South African manufacturers competitive.

3/6/80 SUN (58) 7, M BT

BMW seeking big money

By BILL CAIN

BMW is raising finance locally to help fund a R52-million expansion programme.

Negotiations with banks for loan capital indicate an unprecedented loosening of the reins by the Pretoria motormaker's West German parent company.

Managing director, Eberhard von Koerber, tells me the cash will be used immediately to increase manufacturing capacity as the Rosslyn plant gears up for a worldwide export drive.

He adds that another 800 workers will be added to the present 1 300-strong payroll in an attempt to satisfy snowballing local and overseas demand for BMW's up-market range of luxury models.

BophutaTswana's President Lucas Mangope, is also being told this weekend that his country will not be getting a car factory.

After months of low-key talks, aimed at getting BMW to set up the extra capacity plant inside the neighbouring state's border, the company has decided on a 4-ha site adjoining its present factory.

"It is simply a matter of timing," says Dr Von Koerber. "We need the extra output quickly and could not talk any longer."

Most of the R52-million is coming from West Germany and the local company's revenue over the next three years. Dr Von Koerber declines to say how much local banks will be putting up.

"Financial Rand discounts were among the things that influenced us into going ahead with this expansion," he adds.

"BMW is big enough to finance the project itself but, as I have said before, we are quite open to the idea of local money and local participation."

Dr Von Koerber adds that BMW has considered selling off part of its 100% holding but stresses that there are no such negotiations nor likely deals in the offing.

"We talk about these things, just as Siemens and Mercedes have local participation, and remain open to ideas. That's all," he adds.

BMW sales of 4 200 units in the January-May period are 20% up on the first five months of last year.

Dr Von Koerber says present Rosslyn plant production of 800 vehicles a month is 20% short of order demand.

He adds that BMWs "by the hundred" are being shipped monthly to Argentina, despite Buenos Aires showroom price tags starting at around R25 000.

The company is also exporting to several European countries and assessing southern hemisphere markets from Latin America to Indonesia.

Govt whisks through Finance Bill

(58)

RDM 10/6/80

HOUSE OF ASSEMBLY. — The Limitation and Disclosure of Finance Charges Amendment Bill was extremely complex legislation of great importance to both consumers and financial institutions, but did justice to neither group in its present form, Mr Harry Schwarz (PFP Yeoville) said yesterday.

Mr Schwarz, chief Opposition spokesman on finance, proposed that the Bill be referred to a Select Committee with the power to hear representations and make amendments.

"This is a classic case for a committee, and it was referred to one, but right at the end of the session," Mr Schwarz said.

The committee's report said that owing to the limited time left it had not been able to complete its task.

Prestigious organisations such as the Association of Law Societies, Assocom and banking associations had submitted written memoranda. Some had pointed to the great complexity of the provisions and had asked to make oral submissions.

Because of a desire on the part of NP members to end the session on June 13, those interested parties had been asked to submit further written representations by June 6.

"But the committee was dissolved on the Thursday. A proposal that the committee should continue sitting was voted down and it was resolved a decision should be taken later. Then the committee suddenly dissolved.

"The committee did not do the job for which it was apointed. There is some magic about why this House does not want to sit after the 13th of the month.

"We are making a farce of Parliamentary procedure."

Mr Schwarz said the legislation was therefore not being passed in as good a form as it could have been.

"This measure must go back to the committee and it must do its job. The measure is highly technical, involved and complicated and consumers will not understand it.

"If Parliament is to do its duty it will not go home on June 13 but will present people with the kind of good legislation to which they are entitled."

Mr Schwarz said the Bill's provisions did not provide enough protection for those who really needed it, and provided too much for those who did not need it.

Mr George Bartlett (NRP Amanzimtoti) supported Mr Schwarz's suggestion that the Bill be referred to a Select Committee.

The Deputy Minister of Finance, Mr Pietie du Plessis, said the Government could not permit exploitation of people who needed protection.

"If we want to promote the private enterprise and free market system among the other peoples, we must protect the system against those individuals who try to exploit it in such a way as to bring it into discredit," he said in reply to the debate.

"The provisions will afford debtors reasonable protection and will allow credit grantors to carry out their business in an orderly manner at finance charge rates which are market-related," Mr Du Plessis said.

The Government was not, as alleged by the Opposition, acting against the free market system.

By the imposition of a maximum limit on finance charge rates it was simply granting protection where it was necessary. Where a minimum limit might have been against the free market mechanism, the maximum limit meant market forces and competition would determine the level of the rates, but keep them within reasonable bounds.

Referring to the Opposition charges that there had been inadequate discussion and consultation, the Deputy Minister admitted the Bill was complicated and technical, but said he did not know of a measure concerning which there had been more consultation with interested organisations.

He would be open to attempts to improve provisions in the Committee Stage.

The Bill was read a second time after a division, with the PFP and NRP voting against, and the SAP voting with the Government.

FOOTNOTE: The Bill provides for a maximum finance charge limit on credit transactions for moveable property with a value up to R100 000, and includes within its ambit, for the first time, credit transactions in the form of leasing and credit card agreements.

UNIVERSITY OF CAPE TOWN

10/6/80 MESSRS

Sharp drop in tyre profits

(53)

PROFITS from tyres dropped sharply but industrial rubber sales to the mining industry more than offset the fall, reports General Tire's chairman, Mr H Khazara.

Tyres contributed 47 percent of profits in the 14 months to February against 69 percent in 1978, while 53 percent came from industrial rubber division against 31 percent in 1978.

Total sales of R105,5-million were proportionately 23 percent above 1978 sales but taxed profit improved only 1,3 percent to R7,9-million.

BRIGHTER

Prospects in the current year are brighter, particularly in the supply of products to car manufacturers, says Mr Khazara.

Profits are expected to be boosted this year from new acquisitions — R1,5-million has been paid to take over a group of property and rubber manufacturing companies.

● The R4,8-million rights issue by Hunt Leuchars and Hepburn is being pitched at 400c a share or 10 new shares to holders of every 100 shares.

A total of 1 197 893 new shares will be issued and they will get the interim dividend for the half-year to August.

● Malbak manufacturing group is paying a 12c final dividend which puts the year's total of 18c a third higher than last year's 13,5c.

Turnover rose 28 percent to R129-million for the year to March and taxed profit jumped 50 percent to R5,3 million.

Top profit earner with a 43 percent contribution was the Rakke division of packaging, plastic products and mining supplies.

Group services earned 22 percent, bolstered by a full year from Process Control Instrumentation, and Maccolco, now wholly owned, added 15 percent to profits.

After a slump, the Malcomess farm machinery division recovered and contributed 15 percent but Malbak Motor Holdings declined to 8 percent.

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

10/6/80 ARGUS

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BMW to spend R52-m

PRETORIA. — A R52-million investment programme was announced by BMW South Africa this week.

The managing director, Dr E von Koerber, said in Pretoria the B M W Plant at Rosslyn would be extended to create the capacity and the infrastructure to cope with the growth in the demand for B M W cars locally and abroad.

The programme can eventually also lead to the creation of 800 additional employment opportunities mostly for blacks.

This announcement follows on the decision by BMW/AG of West Germany in February this year to substantially increase its investment in South Africa.

'The attractiveness of the financial rand, and Government's recently announced export incentives, have provided an additional stimulus.

'We believe exports will play an increasingly important role in our local operations as soon as the required additional production capacity has been created,' Dr von Koerber said. — Sapa

Du Plessis defends Finance Bill

58 RDM 11/6/80.

THE ASSEMBLY. — The Deputy Minister of Finance, Mr Pietie du Plessis, yesterday defended a Bill aimed at limiting the maximum credit that can be granted to the public.

Replying to the Third Reading Debate on the Limitation and Disclosure of Finance Charges Amendment Bill, he said its chief aim was to protect the public.

"The purpose of the Bill is to protect the public, but at the same time to allow sufficient room for the effective operation of the free market system," he said.

It provided for a maximum finance charge limit on credit transactions for moveable property with a value up to R100 000, and would ensure the orderly handling of financial transactions of this kind.

He rejected Opposition allegations that the Select Committee appointed to study the Bill had not had sufficient time to complete its work.

"I wish to make it very clear and to state categorically that I do not know of any other legislation where more opportunity has been given to interested persons to give evidence."

The Government wished to protect the public and he was, therefore, not prepared to delay the legislation any longer.

It determined the maximum finance charges that could be asked and would prevent exploitation of debtors.

The PFP's chief spokesman on finance, Mr Harry Schwarz, opposing the legislation, said the Bill did not afford enough protection to the ordinary man-in-the-street from unscrupulous people.

The legislation was so complicated that lawyers themselves had difficulty in coming to grips with it.

"We regret that it has been presented in this way. We feel it should have been made more simple so that the public could understand it."

Although the Minister had accepted about 18 amendments, the Bill nevertheless emerged from the Committee Stage in an imperfect state, Mr Schwarz said.

The Bill was read a third time. — Sapa.

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Blunderbuss credit curb Bill passed

58 RDM 11/6/80

By HAROLD FRIDJHON

PARLIAMENT has passed in a rush the third reading of the Limitation and Disclosure of Finance Charges Amendment Bill, a complicated piece of legislation which will have far-reaching implications not only in the business world but will also affect closely the man-in-the-street.

While the purpose of the measure, according to the Deputy Minister of Finance, Mr Pietie du Plessis, is to protect the consumer and the small businessman the sledgehammer-to-crack-a-nut approach will result in many normal big business transactions being constrained by its scope.

The Act applies to credit, money-lending and leasing transactions under R100 000. It also applies to instalment sales agreements, including credit card transactions, home improvement loans, as well as mortgage transactions.

One of the big differences between the amending Act and the principal Act is that previously restrictions applied in credit transactions in which the buyer was a natual person. Now companies have been brought under its wing.

The Limitations and Disclosures measure has to be taken together with the Credit Agreements Act which the House of Assembly passed recently. The reason why there are two laws to regulate what really are single transactions is that the Credit Agreements Act controls contractual obligations and falls under the Minister of Indsutry, Commerce and Consumer Affairs.

The other Act, known popularly as Ladofca, is mainly concerned about financial charges and falls under the Minister of Finance and through him under the Registrar of Financial Institutions.

The new Ladofca fixes the maximum rates for debts in excess of R1 000 at 12%, for credit transactions at 18,25% and for leasing transactions at a rate to be determined by the Minister from time to time.

Brokers must in future receive their commissions from the lender and not from the borrower, but attorneys and accountants are permitted to recover their commissions from the borrower.

The area of the legislation which will cause the biggest confusion and will in many cases lead to litigation is where a money-lending agreement is terminated ahead of due date. The procedures are cumbersome and complicated and, as an authority said last night, they will baffle the little man who will probably in despair turn to the loan sharks instead of dealing with the reputable institutions.

Termination of loan agreements is at present standard procedure in many lending transactions. When interest rates fall, as they have in the past year or more, businessmen organise themselves out of high-priced leases and hire-purchase deals to take advantage of a lower interest rate structure.

In future the untying of knots might be so intricate that lawyers will be brought in for what was a simple and standard procedure.

What has seriously disturbed the business and banking community, as well as the legal profession, is that the Ladofca legislation was sent to a Select Committee in the third last week of the session. Evidence was called for from the two bank associations, Assocom and the Law Society. But before the evidence could be studied, the Select Committee decided to proceed with the Bill in virtually an unchanged form.

Although the Minister accepted 18 amendments, none of these really changed those parts of the Bill against which objections were raised.

The Government has been implaccable in its resistance to any changes in both the Credit Agreement Act and the Limitations and Disclosure Act, and a source of deep concern to financial circles is that in sensitive areas power is delegated to the Minister who make changes by regulation.

Mr Harry Schwartz, MP, who was a member of the Select Committee where he and the other Opposition members opposed the rushing through of the legislation without hearing more evidence, said last night that while he was conscious of the need to protect consumers, the Ladofca measure was a clear example of overkill.

M&R confirms Tollgate bid

RDM 11/6/80

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Deputy Financial Editor

AS BUSINESS Mail foretold on June 2, Murray & Roberts is the bidder for Tollgate Holdings, the large Cape-based transport, insurance and property group.

M&R executive chairman, Mr Des Baker, confirms that "complicated" negotiations are in progress and will say no more, not even when an outcome is likely.

Sources close to the deal say the negotiations have been going on for a fortnight and may go on for up to three months.

This suggests the proposals may involve stripping out certain assets not compatible with M&R's industrial nature.

Shield Insurance, a highly esoteric business which the controlling families operate and may like to retain, seems a likely exclusion. Because of its "different" nature, Shield has never been consolidated, even though Tollgate owns all of it. Insurance assets are not easy to value and this could be one complication in the deal.

Before suspension, Tollgate, at 430c, was capitalised at R47 800 000, compared to M&R's current capitalisation, at 505c, of R56 600 000.

So, in terms of value, the prospective deal is certainly "material" to M&R. The fact that M&R has not been suspended suggests that the price to be paid will be a full one, having no material effect on earnings or net assets a share.

Tollgate's pre-tax profit, excluding Shield, in the year to the end of June 1979 was R16 500 000 and earnings were R10 184 000. Earnings a share were 91,6c and the dividend a 4,6 times covered 20c. Net asset value was 438c.

At the interim, earnings were 3% ahead at 45,1c and the dividend was pegged at 10c because of capital expenditure of R10 550 000 ahead of the group. Net assets rose 17c following the sale at a capital profit of R2-million of Athlone Trust's quoted shares.

Assuming constant earnings and dividends, by the end of the year there will be another 70c odd of retained earnings in Tollgate, suggesting a net asset value by June of about 525c. This and the low PE of 4,7 represented by the pre-suspension price of 430c suggest that an offer for all of Tollgate except Shield will have to be a big premium on 430c.

Sources in the bus transport industry say that if Murray & Roberts does not clinch the deal there would be at least one other suitor for Tollgate. Hungry Amic is also a large bus operator.

Standard links with Visa

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RDM 11/6/80

By SIMON WILLSON

STANDARD Bank has joined the Visa bank card association — and will invest in R2-million of American card-scanning hardware this year to cope with the extra workload.

The deal is a sign of South Africa's steady credit expansion, and a further pointer to the growing role in the booming economy for plastic cash.

Standard formally joined Visa on May 22, but the dual processing system and the single voucher which will accompany the combined card will not be operational until August.

The move entails no changes for existing Standardcard holders, but may lead to the introduction of another credit card later in the year.

"We joined Visa to give us the ability to process additional paper, and once we had established that the move was a success we went ahead with our new investment in scanning equipment," says Mr Randle Carter, general manager of Standard Bank Card.

The new equipment is based on a major innovation in data processing — Optical Character Recognition (OCR), which is now the rage in the United States.

The high costs of card imprinters which process vouchers by optical scanning mean that high-volume retailers with big credit card turnovers will get first crack at Standard's new card.

But Mr Carter expects that as the rapidly growing base of South African cardholders increases, the service will be extended to lesser retailing outlets.

Blacks get little back from 'aid' societies

STAR 11/6/80 (58)

"It did not take me long to realise the business was corrupt. Money was being taken from blacks and nothing given in return."

☆ ☆ ☆

"This business is as good as the man in the chair. It is up to him to give members a fair deal."

By June Bearzi

A Pretoria family has for years run money-spinning "aid" societies under various names throughout the country which took money from blacks but offered little, if anything, in return.

For some time one of the societies employed the rugby Springbok, Moaner van Heerden, who quit when he discovered the business was "corrupt"

Star Line has also established that many dishonest salesmen worked for the companies and that clients were used as pawns by rival members of the family

Two brothers, Mr Piet and Mr Jan Burger, their sister, Susanna, and her husband, Sarel van Biljon, started the first society, Community Chest, about 15 years ago by soliciting membership of rural blacks mostly illiterate and unsophisticated — who wanted the "protection" the society claimed to offer for a monthly fee.

Over the years the family branched out and some of the names under which they operated were United Burial Society, Globe Aid, Allied Memorial Benefit Society, African United Benefit Society and Masibabane Golden Aid.

'Fantastic salary'

At present the societies, which are controlled from Pretoria offices but are spread throughout the country and concentrated in remote areas bordering on black homelands, operate as Golden Aid run by Mr Sarel van Biljon, African Sun Life run by Mrs Susanna van Biljon, African Multi Benefit run by Mr Jan Burger and African United Benefit Society run by Mr Piet Burger

About a year ago Mr van Heerden joined Mr Piet Burger and his wife Thelma at the Johannesburg branch of African United Benefit society.

"Mr Burger promised me a fantastic salary so I joined. But it did not take me long to realise the business was corrupt. Money was being taken from blacks and nothing given in return," he said

After a few months Mr van Heerden claimed he left the company as he "could not afford to be associated with this sort of business."

The societies offered "schemes" which cost clients from R6 to R12 a month For this they were promised advice, loans, legal and burial aid, bail money, and help in buying cars and in dealing with administration boards if township members were in arrears with rents.

'Laughable'

Lawyers to whom the societies referred clients for legal advice charged them "reasonable" fees, Star Line was told.

Repayable loans were granted at the discretion of the director, but would be considered only after three years' uninterrupted membership.

A Johannesburg banker told Star Line that amounts offered as repayable loans after periods of membership ranging from three to 30 years were "laughable"

After 25 years a member who has been paying R12 a month, if the director agrees, may borrow up to R2 000.

Received nothing

"If this amount is invested in a building society over that period the return would far exceed that amount and, what is more, the money would be the client's," he said

A lawyer who studied small print in the booklets handed out to members told Star Line that "the subscriber has no legally enforceable rights in terms of the agreement" and is at the mercy of the directors and branch managers.

"That is quite right," Mr Eddie Bekker, who manages Golden Aid's head office in Pretoria, told Star Line

"This business is as good as the man in the chair It is up to him to give members a fair deal"

But complaints to Star Line show that many members have paid money and received nothing in return.

In one instance Star Line assisted a black complainant through the courts where judgment was passed granting him a refund of all moneys, with interest, paid to Golden Aid for a mechanically faulty bus.

The member, trusting Golden Aid, paid more than R832 for the bus. He was never able to get it going.

Star Line later discovered that Golden Aid had paid a secondhand car dealer R425 for the bus, making a R407 profit.

Hard hit

A Killarney housemaid was approached by an Allied Benefit Society agent who promised that for R6 a month the society would arrange on her death to transport her to Witsieshoek, where she wanted to be buried. A coffin and hearse, she was promised, would be provided.

"I wanted to be buried in my homeland and the arrangement would spare my family finding money to bury me," she said.

"But a few months later when I visited the Johannesburg offices I found African Sun Life had taken over and they refused to bury me in Witsieshoek.

"I only joined the society because of the burial promise, but African Sun Life would not give my R60 back," she said. As her monthly income is R40, she has been hard hit by the loss

Letters in Star Line's possession sent out by the societies show that members ran the risk of losing money through family rivalry in the business and through cheating sales staff.

An African United Benefit Society notice warns members. "Golden Aid has taken over our previous offices in the hope it can take over some of our members. They have done so in certain instances by telling our members all sorts of lies and have taken those members dishonestly.

Managers fired

"You must remember they are using unethical tactics and that you are going to lose the money you have already paid"

A Golden Aid letter claims. "Thousands of members would have lost all the money paid to United Burial Society if Golden Aid did not step in and accept the United Burial Society members.

"Our company has also employed some of the managers and agents who worked for United Burial Society Unfortunately some of these managers and agents were dishonest and we had to fire them."

Solicited

Another Golden Aid letter informs members: "Somebody stole membership fee stamps worth more than R1 900 from our Johannesburg office and we appeal to you to visit our office immediately Let us protect you against people who are doing their best to cheat you as a member"

When Mr Bekker was asked to comment on the risks members ran by joining the societies, he said: "Many people joined from all over the country in the days when the company was called Community Chest

"At the time the Pretoria branch had 14 000 members, many of whom had been misled by dishonest agents and who lost their monthly subscriptions and deposits handed over for motor cars. Now Golden Aid has taken over and we offer a better deal.

"Most of our members are uneducated, simple blacks and it's easy to take them for a ride. A few days ago a black man came to my office with coins he had kept under his mattress for years to ask what he should do with them. I discovered they were worth R6 000 and told him so. If I were unscrupulous I could have given him R10 and pocketed the coins," he claimed.

Mr Johan Kriek, who manages the Rustenburg branch of African Sun Life, told Star Line his branch solicited members from contract mine workers and homeland residents. "They know nothing and come to us when they've been taken," he said.

Mining officials in the Rustenburg area told Star Line that because many black mine workers were naive and open to exploitation hostel managers were specially appointed to deal with their problems.

"These aid societies get quick-talking salesmen to solicit members — the mine offers help and advice free of charge," he said

Prime importance

The Director of the Department of Co-operation and Development in Pretoria told Star Line he was aware of certain "aid" societies but his board did not recognise them.

"Blacks in the townships do not need to pay fees to these people to act as mediators. They simply have to come to us directly or through their community councils and they will be helped if in arrears with rents," he said.

Mr P F Monama, a Johannesburg lawyer, told Star Line that "funerals, owning cars and the prospect of having cash readily available in times of trouble are of prime importance in the black community, and these societies capitalise on this by claiming to give the help and protection blacks most need.

He believed firmer legislation should be introduced to protect blacks from the "aid" societies.

Promoters live in affluence and luxury

By June Bearzi

Mr Sarel van Biljon and his family, unlike many black members of his "aid" societies who live hand-to-mouth, live in affluence and luxury.

The family's large home is in the exclusive Waterkloof Ridge suburb of Pretoria and is filled with expensive furniture and antiques. valuable oil paintings and hand-woven rugs.

There is a Steinway grand piano in the family room and one in the lounge. For transport Mr and Mrs van Biljon have two Mercedes sports cars valued at about R50 000 each and a Mercedes-Benz sedan

The monthly letters from the aid societies reminding members to keep up with payments, "preferably one or two months in advance," are typed by Mrs van Biljon in her large dining room. The expensive Louis XIV-type dining-room suite contains piles of duplicated letters and a duplicating machine

Recently the Waterkloof Ridge house was sold for R150 000 and the Van Biljon's new home will be an American Colonial-type mansion on nine acres in Morningside, Sandton, valued at about R300 000.

"Something such as Arab oil sheiks buy," one estate agent said of the home..

Wow, you've got to be rich to live like that," said Mr Carel van Biljon, brother of 42-year-old Sarel when Star Line asked him about the Morningside mansion. Mr Carel van Biljon is manager of the Benoni branch of Golden Aid

Mr Eddie Bekker, who manages Golden Aid's head office in Pretoria while Mr van Biljon travels from one branch to another throughout the country, also likes the good things in life.

He is smartly dressed, in his late 20s and has a liking for expensive. Continental sports cars. When two reporters visited his office in Willie Theron Building, Bosman Street, he had piles of R10 notes, a revolver, a bottle of expensive after-shave lotion and a coloured photograph showing newspapers spattered with human blood on his desk.

"This is a dangerous building — this gory photo is one I took of the mess after a black man was murdered on the steps outside the office," he explained.

Mr Piet Burger has moved to a farm in Potgietersrus from where he commutes to Pretoria every week

"I want to get out of this aid society business because members are so ungrateful and unreliable. All they do is moan and groan," he said.

He explained that although he had worked with his sister and brother-in-law, Mr and Mrs Sarel van Biljon, relations had become strained after he had "beaten Van Biljon up."

"I'm only making R2 000 a month now by buying and selling cattle in the Pietersburg homeland areas, but I intend buying a bushveld farm soon, so the aid society will have no more appeal to me," he said.

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STAR LINE

Blacks warned on 'aid'

By June Bearzi

Two Johannesburg lawyers who head legal research organisations, and a spokesman for the Institute of Race Relations, have condemned black "aid" societies which have been highly profitable to the Pretoria family which runs them and have called for tighter legislation curbing their actions.

"These societies certainly are not conducive to [illegible] should be done about [illegible]," Mrs [illegible] Perlman of the Institute of Race Relations told Star Line.

A Star Line article yesterday reported that for [illegible] years Mr and Mrs Sarel van [illegible] and his wife's brother, Mr Piet Burger and Mr [illegible] Burger had operated several societies under different names which took money from thousands of blacks for decent burials and financial aid but the societies' contracts prevented them from providing this help.

Mrs Perlman said her organisation had been aware of the societies' activities for some time and believed that blacks should be warned against them.

Mr 'Moaner' van Heerden, the Springbok rugby player, who worked for Mr Piet Burger for a few months told Star Line he had left when he realised the operation was "corrupt" and merely a means of raking in money from uninformed blacks.

Mr Ramarumo Monama, the research officer for the Centre for Applied Legal Studies at the University of the Witwatersrand, and Mr Arthur Chaskalson, SC, who heads the Legal Resources Centre to whom Star Line referred several complaints about the societies, have called for firmer legislation curbing their activities.

Frankfurt listing for Barlows

12/6/80

Financial Reporter

BARLOWS, South Africa's largest industrial company, will be listed on the Frankfurt Stock Exchange on June 19.

It will be the third South African company to be listed in Frankfurt. The others are Anglo American and Highveld Steel.

A consortium of banks led by Commerzbank, and including Deutsche Bank, Dresdner Bank and BHF, is sponsoring the listing.

Frankfurt will be the seventh stock exchange on which Barlows will be listed. It is quoted in Johannesburg, London, Paris, Brussels, Antwerp and Salisbury.

The executive chairman of Barlows, Mr A M Rosholt, says there are two main reasons for the listing.

As Barlows is a large company with international operations it is appropriate that it should be listed on the important stock exchanges. In addition, West Germany is one of the largest and most important capital markets and the board considers it important that Barlows should be known in that market.

Indsel, Natsel higher

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RDM 12/6/80

Deputy Financial Editor

INDUSTRIAL Selections and National Selections, the IDC's twin listed investment trusts, both reported sharply higher profits, earnings and dividends in the year to end-June.

Indsel pushed up pre-tax profits 72% to R6 820 000 (1979: R3 960 000), taxed profit 71% to R6 710 000 (R3 910 000), earnings per share 57% to 98c (62,1c). The final dividend was lifted to 50c (30c), making a 63% better total for the year of 75c (46c).

Natsel hoisted pre-tax profit 86% to R6 550 000 (R3 520 000), taxed profit 84% to R6 480 000 (R3 520 000) and earnings a share 68% to 112,6c (67c). The final dividend was raised to 55c (32c) making a total of 85c (50c) for the year, a 70% improvement.

On the new dividends both Indsel and Natsel yield 8%.

Hillsam rights 320c

(58) RDM 12/6/80.

By ELIZABETH ROUSE

THE HILL Samuel Group's rights offer is larger than previously announced at R2 800 000, compared with the expected R2 500 000, and the terms are attractive.

Basis of the offer is 15-for-100 at a price of 320c. Current market price is around 365c.

Hillsam is cautious about making an earnings forecast on the increased share capital, but predicts that the dividend total should not be less than 27,5c for the year to March 1981.

As the rights issue funds are being used to expand Hillsam's banking and financial services in a favourable economic climate, distribution could well be more on the increased capital.

Hill Samuel (SA), the wholly owned merchant banking subsidiary of Hill Samuel Group (SA), recently completed a private placement of R4-million redeemable preference shares which expanded the group's capital base.

Hill Samuel & Company of the UK has arranged for two of its subsidiaries to subscribe for 71,49%, or 625 824 of the 875 400 shares being offered. The remaining 249 576 shares will be underwritten.

The new shares will not be entitled to the 16,5c final dividend payable on July 31, 1980.

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LIMITATIONS ACT

More hassles

The Select Parliamentary Committee charged last week with inquiring into and reporting on the Limitation and Disclosure of Finance Charges Act (known simply as the Limitations Act) must have had one of the shortest sittings in the House's history. And it is certainly going to make history.

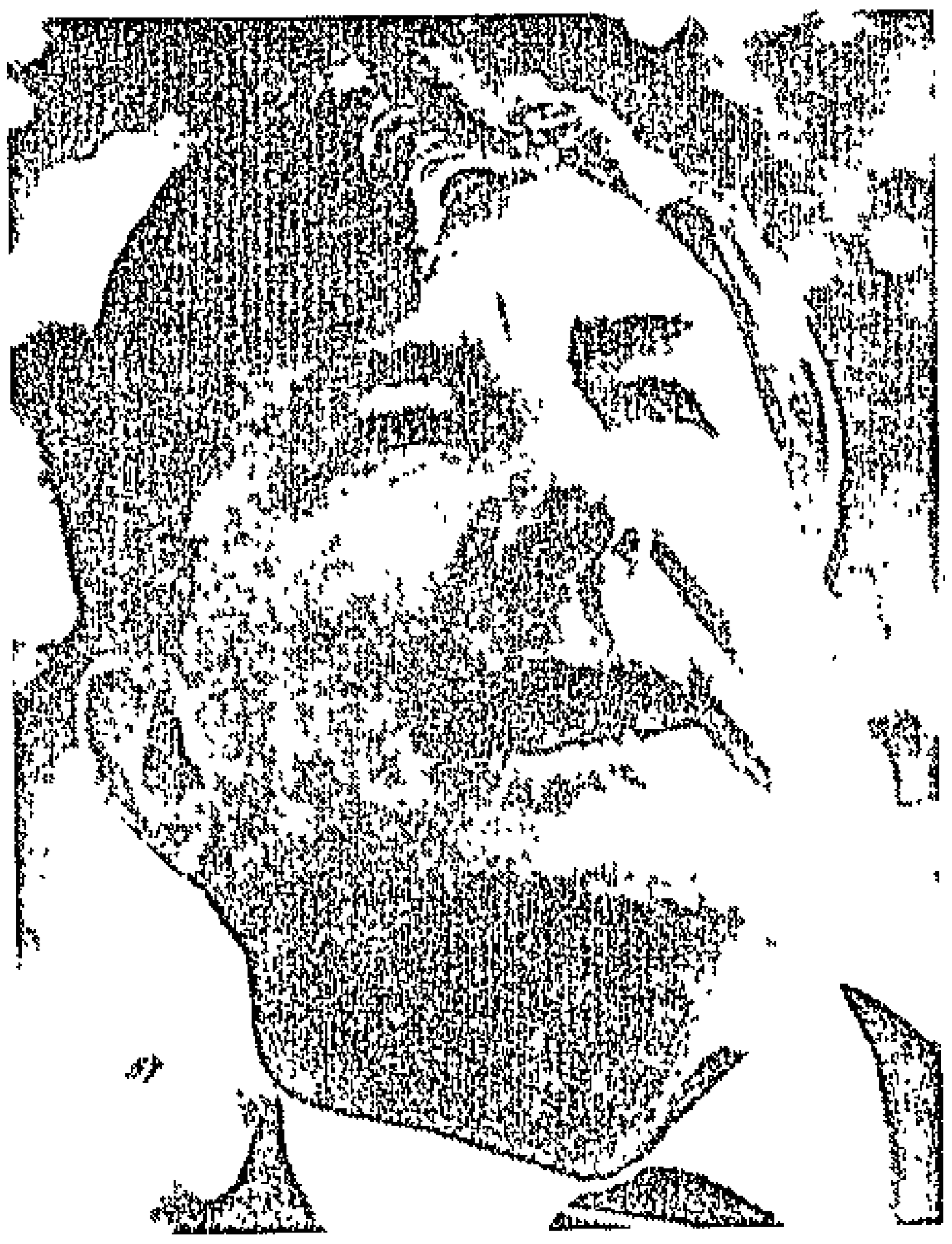
After requesting on June 2 all persons and institutions wishing to make representations on the bill to submit their views in writing to the Committee before Friday June 6, the committee's hearings were abruptly terminated.

Not surprisingly, private sector bankers are none too happy with the bulldozer tactics — giving them only four clear days to reply to a complex matter — employed by government in forcing through the bill.

The Association of General Banks and Finance Houses, the private sector body which co-ordinates the activities of those institutions involved in leasing and hire purchase, has grudgingly adopted an official line of support for legislation to protect the man-in-the-street but only in so far as goods and services for household and personal purposes are concerned.

Bankers generally hold the view that any credit agreements which fall outside this broadly defined category should be regulated by free market forces. Insists one "It is entirely unnecessary to protect the broad spectrum of the business community."

The legislation now before parliament traces its origins back to the early Seventies when the Registrar of Financial Institutions lost an action against Wesbank over its credit card charges. Eventually this led to the appointment of an interdepartmental committee, under Dr Daantjie Franzsen, into the Limitations Act, which reported in 1977. Subsequently the Erica Theron Commission into Coloured affairs specifically recommended that greater protection be afforded to the developing communities.



Owen Horwood . . . how flexible will he be?

Since the primary intention of the authorities is to protect the individual (rather than the businessman) against unscrupulous money lending transactions, banks are particularly unhappy over the scope and extent of the amendment to the Limitations Act. In future all credit, leasing and money lending transactions of which the principal debt does not exceed R100 000 will be regulated in terms of the provisions of the Act. This now includes corporate entities as well as individuals.

Bankers complain that to extend control measures up to amounts of R100 000 is unrealistic, since hire purchase or leasing deals by individuals seldom exceed R10 000. The banks would have liked to have seen this upper limit reduced to R20 000, pointing out that even this figure is double that under which controls are exerted in the UK.

Moreover, banks think it unnecessary that there should be separate ceilings for different categories of lending transactions. Their view is that there should be a single ceiling of R20 000 for total debt incurred by any particular borrower. However Finance Minister Owen Horwood has apparently intimated that he is prepared to adopt a flexible attitude on this matter.

The early settlement provisions contained in the amendment are another irksome feature for the banks that could leave them at a cost disadvantage and entail a rewriting of their expensive computer programmes. Under the previous regulations, if a client settled early the bank was entitled to charge the contractual rate of interest for the full year. This, claim banks, enabled them to recover a large portion of the costs incurred in obtaining the business and the finance for the deal in the first place.

Now banks are required to recalculate the effective rate of interest from the date the deal was written until the date of (early) settlement. Banks, therefore, stand to lose out on their finance charges since they pay motor dealers their commissions at the beginning of the contract.

These charges are spread out over the entire duration of the contract, enabling banks to earn a constant yield over the life of the loan. Revenue earned during the first few months of the contract could now be swallowed up in the discount to the dealer, complains one banker. The new regulations, say bankers, will not enable them to recoup the costs of writing the deal — unless the banks are able to reach some form of agreement with the dealers. (Banks claim that between 30% and 40% of instalment credit contracts are in fact settled before maturity.)

Finance houses also point to the problem of "switching" while interest rates are declining. Customers who have written contracts at a particular rate will be able to settle early and then simply rewrite the deal with another bank at a lower rate. "In this way," moans one banker, "the whole industry will be chasing itself round in circles".

Bankers are equally insistent that any attempt to control lending rates will eventually be rendered ineffectual. There are always loopholes. The amendment reduces existing money lending rates from 14% to 12% on amounts under R1 000, from 18% to 15% between R500 and R1 000 and from 21% to 18.25% on less than R500. By setting limits claim some industry experts, business will be inhibited at the riskier end of the market including business among many blacks and coloureds. And, dealers running their own books could simply push up their retail prices to get round the lower rates. But the question is, what happens when interest rates begin to rise again?

Among the other provisions in the amendment are that a bank must now give 30 days notice (instead of the previous ten) of its intention to repossess the item on default, and that after repossession the bank must sit on the item for at least 30 days before reselling.

Banks say they do not expect the new provisions in the Act to affect their volume of business significantly. Instalment credit business is just too lucrative at present.

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Use and abuse

The country's top three life assurers — Old Mutual, Sanlam and Liberty Life — control assets exceeding R5,5 billion; their income, every working day, is more than R6m. These assets, and that income, must be invested for the benefit of policyholders (and shareholders as well, in Liberty's case).

Inevitably, where one is dealing with money of this magnitude, conflicts must arise. The growing power of the big institutions is a matter that evokes concern throughout the Western world. Yet it is not necessarily — by any means —a bad thing. Recent events — the Kirsh/Tiger Oats/Old Mutual situation — have made this massive money power a matter of debate in SA — and the questions posed on these pages, and the answers to them by Old Mutual, and the comments on them by Sanlam's Dr Fred du Plessis, shed interesting light on some of the knotty problems that exist.

But first, let's have a closer look at these faceless giants. Old Mutual, with assets of R2,5 billion, is, as its very name demonstrates, a mutual society. That is, it has no shareholders; it is "owned" by its, literally, thousands of policyholders. Its management is largely self-perpetuating, and it owns very large chunks of SA.

Sanlam, with about R2 billion of assets, is a similar animal — with the important difference that it is, and always has been, a major weapon in the Afrikaner's rise to economic parity in South Africa.

And in this it has been eminently successful.

The difference with Liberty Life (just over R1 billion) is that it is owned, and theoretically controlled, by its shareholders. But since effective control is wielded by one man — founder and master-mind Donald Gordon — the difference in practice is negligible.

The giants (the next 17 SA life companies, incidentally, control a mere R3,5 billion of assets) and the power that is theirs for good or for ill, are effectively controlled by a handful of immensely powerful men.

This, as Sanlam's Du Plessis argues well, need not be a bad thing. And Old Mutual's joint managing directors, Frans Davin and Dick Lloyd, put up a reasonable case for their intervention (together with their chairman, Jan van der Horst) in the Tiger/Kirsh affair.

Nevertheless, and despite the validity of much of the argument, two major issues arise from this matter. They are:

- JSE suspension procedures, and their possible abuse; and
- The responsibilities to minority shareholders in a bid situation.

Suspension, in recent years, has become an increasingly controversial issue. It's interesting to recall that, up to only eight years ago, suspension was an act of last resort — it meant that the company concerned was about to go bust.

Incidentally, the first use of suspension in the current idiom — because of events that might have major impact on a share price — was at the instance of the present Editor of the *FM* who advised Gordon at Liberty Life when it bid, in 1972, for Manufacturers Life. The concept originated on the New York Stock Exchange.

The *FM* put the following questions to Old Mutual. The replies are from the joint managing directors.

FM: In view of the controversy over the role played by the Old Mutual in the Tiger Oats/Kirsh situation would you please comment on. . .

OM: We believe that this controversy is more apparent than real.

FM: . . .The use of the JSE suspension procedure in a situation of this sort.

Suspension of Tiger, ICS and Common Fund was requested solely because Old Mutual had every intention of restructuring its interests in the food and related industries and much discussion and work were directed to this end. The result however was that no way could be found to give benefits to all parties, including minorities, in equivalent measure, hence no major restructuring could take place.

The desirability, or otherwise, of any involved party buying shares of another, off the market, during suspension.

The only "undesirable" situation would be where some shareholders were totally excluded from any participation. We were very conscious of our responsibility in this regard and advised all major shareholders of our intentions and subsequently provided an opportunity for all shareholders to obtain a price of 1 750c per share via the market.

The use of the financial strength of a big institution to block a potential bid for any company, by means other than making a counter-bid.

"Big institutions" (your words) should and must watch their major investments and should be prepared and willing to take action to protect these investments when they believe this to be in the long-term interests of their policyholders and the companies' shareholders.

The desirability of institutions forming major power bases in a particular sector of the economy — for example Sanlam in food (Fedfood) and mining (General Mining), Liberty Life in finance (Fugit) and Old Mutual in food (Tiger and ICS).

There is nothing inherently desirable or undesirable in an institution, by virtue of its expanding investment base, building major holdings in certain sectors of the economy. It is the use that institutions make of such substantial holdings that should be examined and not the fact that they hold them.

The ethics of direct institutional involvement in the management and/or policies of companies in which investments are held.

It is the duty of institutional investors to look after their investments. Old Mutual has traditionally taken the attitude that in general practice it is not its intention to use major or other shareholdings to become involved in the management and/or policies of the companies concerned. Old Mutual sees its role as a significant investor in the widest sense to ensure that all investors obtain a fair return in respect of their investment.

The special responsibilities to the financial community as a whole of institutional executives to set high standards.

We concur that institutional executives have special responsibilities to set high standards in the execution of their tasks as investors.

Do you consider that the purchase, by Old Mutual, of Tiger shares, at a price below that of a potential bid was in the best interest of Tiger minorities?

The question is hypothetical in that there was no bid and a potential bid is not a bid. It is easy to talk of a possible bid. The difficult part is to present a formal bid which offers investment merit and makes sense to all parties. We do not believe you should confuse a potential or possible bid and a formal bid.

Is it desirable for the chief executive of an institution to sit on the board of a company in which the institution holds a major stake?

It is natural and desirable that the chief executive or one of the senior

MONETARIST BATTLE

The European arena

A senior *FM* staffer, recently returned from Europe, comments on eco-political trends.

The economic policies of Britain's Margaret Thatcher and France's Raymond Barre appear undeniably to hold out a great deal of hope for free enterprise in general and for exporters of raw materials, such as South Africa, in particular.

They certainly give the impression that these two flagging, albeit important, European economies could, after some temporary tribulation, swing shortly into a new era of revived and invigorating growth, inspired by a return to the profit motive.

But a closer examination of political realities, after the post-war decades of associating increasingly, but mistakenly, prosperity with government intervention and social welfare, suggests that they hold out no more than hope.

Experience has shown that time is essential for the success of monetarist policies, such as those being implemented in Britain and France. And for both leaders it is an ingredient in short supply.

It takes at least two years for monetary policies, generally speaking, to begin to show tangible results, depending on the degree to which previous governments were profligate and the degree to which administered prices are allowed to reflect supply and demand. Moreover, there is controversy among monetarists themselves over the precise nature of the controls they advocate.

Needless to say, there is widespread support among European businessmen for these policies. However, there is also widespread scepticism over whether their application (and the success they promise) will be politically possible.

First, the victory of both governments at the polls was much more a reaction to the disruption of frequent and demoralising strikes, constantly rising prices, unemployment and general economic enervation than a direct endorsement of monetarism, with all that it entails.

There remains in Europe a deep-seated suspicion of free markets, which are seen popularly — although incorrectly — as the cause of social and economic inequalities, rather than it being governments' failure to bust monopolists, preserve competition and restrict its role in the economy.

To both blue and white collar workers in Europe, the prosperity of the Sixties was achieved because of government interference in markets and rising government spending. They are far from convinced that rising inflation and unemployment now is the price being paid for that folly. Indeed, they want more of it.

Faced with having to accept that a reduction in government's role in the market place is probably politically impossible and with considerable market distortions — particularly in the labour and energy markets — many European economists see no other practical solution to inflation than direct price controls.

Moreover, there are some, influential among them, who claim that there is empirical evidence that the decline of Western economies began towards the end of the last century, long before social welfare became a reality. That decline, they argue, was interrupted and temporarily reversed by two world wars and has now been resumed once again.

They have no rational explanation for this slow but progressive economic malaise; they merely argue that it was not simply because of increasing centralisation and rising social welfare handouts.

France's Barre . . . will monetarism be given time to work

Others argue that evidence from a much longer period is needed before conclusions such as that can be justifiably reached. Equally, it can be argued that government interference in free markets began in earnest at roughly the same time and that economic decline was the inevitable result.

Wherever the truth may lie — and the *FM* believes it is in the latter — the hard political fact is that many voters in Britain and France cannot yet be counted upon as convinced supporters, with a fund of patience, of unrestrained free enterprise and monetarist policies. They are waiting to see what will happen.

Second, the European trade unions are implacably opposed to any policy that would even temporarily increase already severe unemployment in the hope of more jobs later. They demand from government an immediate commitment to full employment, what the Americans call the "quick fix."

They are unlikely to be persuaded to compromise in view of the declining trend in business activity in developed countries and because of redundancy fears as major technological innovations are introduced to counter the rising cost of labour.

There are already 6,5 million registered unemployed in the European Common Market, a further three million have dropped out of the labour force and, for demographic reasons, about one million new jobs will be required each year.

Apart from strong tendencies towards monopoly and cartelisation in their organisations, European trade unions are the most important private groups lobbing in favour of demand management. They are able, moreover, by using their muscle in wage negotiations, to cushion, if only temporarily, their members from the rising trend in prices.

Consequently, they fear unemployment to a much greater extent than rising prices.

Third, there is a growing tendency for large employers in Europe to avoid union confrontations. This is because of high fixed cost structures that are a continuing liability during a strike. Instead, when price rises cannot be passed on any longer to customers — or financed from relatively cheap capital markets — they lobby powerfully for government intervention and protection.

There are those who believe that this is a form of creeping socialism that poses one of the most serious threats to what remains of the free enterprise system.

Nevertheless, although the success of monetarist policies takes time, it does progressively become more manifest. So the *FM* is confident that Thatcher and Barre will not be entirely without supporting evidence soon.

Moreover, their monetarist policies are being implemented at a time when consensus politics is giving way to more radical stances on both left and right. They are, therefore, policies that are indicative of and appropriate to modes of contemporary political thought.

Nor are either Thatcher or Barre lacking in resolve. They are not going to give up easily. But time is short, particularly for Barre — a presidential election is only 12 months away. And time is of the essence if these societies are to avoid sinking into the collectivist morass which eventually smothers both economic growth and personal liberty.

That suspension lasted only a few days. And, ideally, suspensions should never be longer — and they should, almost invariably, involve bid and/or takeover situations. They should not, in the *FM*'s view, embrace a situation in which an institution, however venerable and powerful, wishes to "restructure" certain interests — and which then proceeds to trade in one of the suspended shares.

The JSE was also asked for its comments on the questions posed here but, understandably in view of the fact that one of its biggest customers was involved, this was not forthcoming. Nevertheless, one gets the impression that the JSE is concerned about the situation — particularly about the current view that suspension must automatically be granted if requested by a company — and it will be surprising if suspension procedures are not reviewed. They certainly need to be.

The bid aspects, and the position and protection of minorities, present even knottier problems. The London Stock Exchange, following the "raid" by which Anglo and De Beers gained control of Cons Gold, and the more recent Charter attack on Anderson Strathclyde, is considering a number of measures to ensure it is not merely the big battalions that get the gravy in bids.

In the US, the government watchdog, the Securities & Exchange Commission, has gone so far as to suggest that any party which solicits more than 10 investors to sell over 5% of a company's equity within a period of 45 days must make a similar offer, at least on a partial tender basis, to all shareholders. Such a cumbersome procedure would be decidedly unwelcome here.

A more practical procedure suggested in London is that a buyer in this type of situation should enter the market with the announced intention of buying a fixed number of shares at a set price. This, in effect, is what Old Mutual did when it claims to have "subsequently provided an opportunity for all shareholders (in Tiger) to obtain a price of 1 750c per share via the market."

Sanlam's Du Plessis . . . big investors have rights, too

The snag here, however, is that it had not publicly announced that intention — and no shareholder was given the opportunity of evaluating the Kirsh approach, even if it was "a potential or possible bid" rather than a formal offer.

There are no easy solutions. The problems highlighted by the Tiger episode are taxing the best brains in the securities markets of London and New York. That they need to be resolved is undoubted. The main initiative in SA must come from debate within the financial community — and action by the JSE. Otherwise it is inevitable that pressures for a regulatory body such as the SEC will grow — and that is something that nobody should want.

ANSWERS

assistants of an institution sits on the board of companies in which the institution holds substantial stakes.

Why, in your view, was it desirable, or otherwise, to prevent Kirsh from getting control of Tiger?

In the opinion of Old Mutual, Tiger Oats, with its substantial asset base and excellent growth record, would be a better company and more rewarding for its shareholders in the longer term if it were to remain independent from, and not merged with, the group mentioned.

□

Sanlam's Dr Fred du Plessis offers the following views:

"As I see it your questions relate to two major issues. One is the procedure followed by the Old Mutual to prevent a possible take-over of Tiger Oats and the second is the issue of the relationships between investment companies and their associated companies.

I find it very difficult to comment on the first issue because I do not know all the relevant facts.

The second issue is very interesting from both the practical and philosophical point of view. Let us first look at the possible effects on minority shareholders if an investment company holds a major stake of the equity of an operating company. Minority shareholders should derive a certain measure of comfort from the knowledge that the major investing house has the investment expertise and the money to intervene if anything goes seriously wrong with the operating company, even if it only means replacement of existing management with new management bought in the market place. It is of course true that minorities, if they are not happy with management, can opt out by selling their shares but by the same token they may find out about the problems of the company only when it is too late to sell and in this case I believe that it could be a great comfort to them if they know that a highly respected major investor is also involved with the future of the company.

The major investor does not have much flexibility to make capital profits on its investment because it cannot disinvest from a particular company without disrupting the market completely. Its main aim must therefore be to derive the highest possible long-term income from its investment. To allow minority investors the freedom to get the best of both worlds by giving them long-term protection on the one hand but by having to stand back and allow them to take the short-term advantage of a takeover bid seems to me to be pushing it a bit too far.

Let us look next at the relationship between a major investor and the management of an operating associated company. The existence of a major shareholder in a particular company has certain advantages to the management of that company. First of all, management has a measure of protection against take-overs. One of the most frustrating situations for any management team to be in is to know that the moment you are performing well you may have to face a take-over with the new major shareholders having the ability to change your management philosophy and even to dismiss you or your team.

When things go wrong

I do not want to create the impression that a major investor should interfere with the day-to-day management of an associated company. All I want to say is that a major investor, because of his locked-in position, must have the ability to intervene if things start going wrong. By means of intervention, namely through a change in management, the major investor can protect his investment to some extent and it therefore goes without saying that a take-over bid which could lead to a replacement of existing management with new management not acceptable to the major shareholders, would call for action on the part of the major shareholders to try and prevent the take-over from taking place."

Fm 13/6/80 (Tr)

' INSURANCE

ar index rises

ved black unrest, at the Cape and at itein gold mine (not to mention the bombing), has concentrated peoples' wonderfully on the subject of riot insurance cover, say insurance industry sources.

There has been a sharp upturn in the demand for this type of cover, available (for physical damage only) from SA Special Risks Insurance Association (Sasria), the government-sponsored riot insurance consortium (FM May 30).

Until recently businessmen appeared to regard the premium structure as too expensive in relation to their subjective perception of risk, a perception that has now unpleasantly been corrected by recent events.

Short term insurers feel, however, that rates for this type of cover are still far too high, especially for the smaller industrial-

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ist. Discounts recently allowed for larger policies have alleviated the problem for bigger industrialists only.

Insurers complain, too, of the continued lack of riot cover for consequential losses (other than rents) and especially loss of profits.

Government's obduracy on the issue of consequential loss is hard to fathom. By accepting the formation of Sasria, the government has, by implication, already acknowledged the existence of a significant level of political risk in doing business locally. To permit insurance against consequential loss is only a logical follow through of that admission, and would accord far better with the new free-market philosophy than current reluctant attitudes.

Any businessman knows that riot insurance without cover for consequential loss is only half a loaf. Please, will government — as major reinsurer of Sasria — make it financially possible for the insurance industry to provide the very necessary other half?

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C.G. SMITH INVESTMENTS LIMITED

Directors: W.A.M. Clewlow (Chairman), L.G. Abrahamse, F.R. Jones, J.J. Kitshoff, G.A. Macmillan, M. de W. Marsh, B.C. McCarthy, R.A. Norton, W.T. Passmore, W.M. Shorten, J.H. Ward.

SECOND INTERIM REPORT TO SHAREHOLDERS FOR THE TWELVE MONTHS ENDED 31st MARCH, 1980

CHANGE OF YEAR END

Barlow Rand Limited acquired control of C.G. Smith and Company Limited with effect from 1st January 1980 and is now the ultimate holding company of C.G. Smith Investments Limited. As a result it has become necessary to change the financial year end to 30th September Accordingly, financial statements will be prepared for the 18 month period ending 30th September 1980. It is considered desirable, however, to advise shareholders by means of this second interim report of the financial affairs of the company at 31st March 1980.

RESULTS

The unaudited results for the group for the year ended 31st March 1980 are as follows:

	Company 1979 R000	Company 1980 R000	Consolidated 1979 R000	Consolidated 1980 R000	% Increase
Income before taxation	10 618	13 601	27 636	39 061	
Less: Taxation	32	29	6 997	10 979	
Income after taxation	10 586	13 572	20 639	28 082	36%
Less: Interest of outside shareholders			5 999	8 641	
Net income attributable to shareholders	10 586	13 572	14 640	19 441	33%
Shares in issue 31 739 502					
Earnings per share	33,4c	42,8c	46,1c	61,3c	33%
Interim dividend paid 13/2/1980	6c	10c	6c	10c	
Second interim dividend payable 4/8/1980		32c		32c	
Final dividend paid 6/8/1979	27c		27c		
	33c	42c	33c	42c	27%

SUBSIDIARY AND ASSOCIATED COMPANIES

C.G. Smith Investments Limited is an investment holding company with investments in Romatex Limited, C.G. Smith Sugar Limited and S & T Investments (Pty.) Limited which in turn holds 53,5% of Huletts Corporation Limited. The recently published results of these companies for the twelve months to 31st March 1980 are as follows:

	Romatex Limited	C.G. Smith Sugar Limited	Huletts Corporation Limited
Effective percentage of equity held	54,9%	31,0%	35,6%
Profit after taxation — 1980 R000's	19 087	20 130	20 460
— 1979 R000's	13 191	14 086	16 139
Percentage increase	44,7%	42,9%	26,7%
Earnings per share — 1980	79,9c	135,5c	62,2c
— 1979	54,9c	94,8c	52,7c
Dividends per share — 1980	35c	85c	44c
— 1979	24c	70c	37c
Percentage increase in dividends	45,8%	21,4%	18,9%

Consumer spending, particularly in the area of semi-durables, improved considerably during the six months ended 31st March. Romatex Limited took advantage of this, and again reported improved turnover, profits and dividends. Capital expenditure amounting to R28,3m was incurred during the year in replacing plant, increasing capacity and in new acquisitions, the full impact of which will be felt in the future. Under current market conditions, indications are that earnings for the six months to 30th September 1980 will be higher than those for the corresponding period in 1979.

C.G. Smith Sugar Limited was able to increase sugar production and by curtailing cost increases was able to improve sugar profits The company's non-sugar activities also added to the increase in profits. The severe drought, however, throughout the industry's cane supply areas persists and will have the effect of reducing the sugar industry's production well below that of the past year Nevertheless indications of increased income from other sources could result in profits for 1980/81 which would enable the group to maintain its dividend.

Despite the drought Huletts Corporation Limited reported increased earnings.

DIVIDEND POLICY

The second interim dividend of 32 cents, which is payable on 4th August 1980, has been declared on the same basis on which a final dividend would have been declared had the year end not been changed.

A final dividend taking into account the results for the 18 month period to 30th September 1980 will be paid in February 1981.

DIRECTORS

Mr. J.C. McGough, who was chairman of the company, retired at the end of March 1980. The board of directors would like to thank him for his considerable contribution to the affairs of this company over a long period and wish him well in his retirement.

Mr. W.A.M. Clewlow, an executive director of Barlow Rand Limited, joined the board on 1st April 1980 and was appointed chairman.

DECLARATION OF DIVIDEND NO. 15

Notice is hereby given that a second interim dividend No. 15 in respect of the 12 months ended 31st March 1980 of 32 cents per ordinary share has been declared payable on 4th August 1980 to shareholders registered in the books of the company at the close of business on 27th June 1980. The share transfer books and register of members of the company will be closed from 28th June 1980 to 13th July 1980, both days inclusive.

In terms of the Income Tax Act of 1962, as amended, non-resident shareholders' tax of 15% will be deducted from the dividend payable to shareholders whose addresses are outside the Republic of South Africa.

On behalf of the board
W.A.M. Clewlow Chairman
W.M. Shorten Director
5th June 1980
Durban

Transfer Secretaries:
Natal Securities Trust (Pty.) Limited
9th Floor, Nedbank Centre
Durban Club Place
DURBAN 4001.

Registered Office:
11th Floor, Eagle Building
359 West Street
DURBAN 4001

Member of the Barlow Rand Group

CHILVERS

Scott Hawker

SUIDERLAND

Diversification pays

Activities: *Investment holding company with interests in timber and fishing. Holds 35% of Kaap-Kunene and 7% of Diroyal.*
Chairman: *P G Neethling.*
Capital structure: *22,8m ordinaries of 50c. Market capitalisation: R13,2m.*
Financial: *Year to December 31 1979. Borrowings: long- and medium-term, R3,2m; net short-term, R363 000. Debt:equity ratio: 30,7%. Current ratio: 1,1. Net cash flow: R1,3m. Capital commitments: R209 000.*
Share market: *Price: 58c (1979-80: high, 68c; low, 22c; trading volume last quarter, 797 000 shares). Yields: 13,6% on earnings; 6,0% on dividend. Cover: 2,3. PE ratio: 7,3.*

	'76	'77	'78	'79
Return on cap %	24,9	16,8	14,2	15,3
Turnover (Rm)	8,4	8,9	11,3	12,7
Pre-tax profit (Rm)	2,0	1,7	1,7	2,4
Gross margin %	28,1	23,6	18,6	22,0
Earnings (c)	5,9	5,5	5,8	7,9
Dividends (c)	3,0	3,0	3,0	3,5
Net asset value (c)	35	36	40	58

At this stage of the game in the fishing industry, there is one ground rule worth following — diversification. To an extent, that is what Suiderland has done. Last year, timber's contribution to taxed income increased from 52,9% to 57,4%, while that of fishing eased from 38,9% to

...3%). The timber division's R1,1m (R717 000) contribution was due, according to the board, to its quick response to the economic upswing which was partly aided by the recent programme of modernisation in the mills.

While profit contributions from other interests are expected to be "maintained" in the current year, those from timber should show a further improvement.

Suiderland was hit by the downturn in the building industry a few years ago and was also hurt when the gold price dropped and demand for mining timber fell away. Now, with an improving building sector and increased mining developments, timber demand is "tremendous," says chairman Piet Neethling.

Despite the possibly patchy future which faces fishing because of reported depletion of the SWA/Namibia resource, associate company Kaap-Kunene has nevertheless managed to hike attributable profits to R3,9m (R3,5m) and its dividend to 15c (12,5c). Despite smaller fishing quotas, the board is optimistic that this division will continue to yield a "satisfactory" return.

The balance sheet is considerably more healthy, partly aided by the effects of a conservative dividend cover over the past few years. Borrowings have been reduced to R3,6m (R4,7m) and the lease burden is down from an annual R130 000 to R70 000. With net cash flow up from R937 000 to R1,3m and capital commitments at only R209 000 (R357 000), the group has few problems so far as cash is concerned.

Stocks have also been reduced from R1,3m to R893 000 and cash balances have risen from R29 000 to R493 000. Overdrafts have been almost done away with after being R1,2m last year, and creditors were reduced from R1,6m to R1,4m.

Despite the healthy cash position the group has no specific plans to expand or diversify at the moment, says Neethling. At the same time, he adds, trading since the year end has been at record levels and the group is confident of a "very good year."

After four years of an unchanged 3c dividend, the payout was raised to 3,5c last year, covered 2,3 times. On past performance, and bearing in mind that consolidation rather than expansion is in prospect, it appears unlikely that an improved dividend can be expected this year, especially with fishing interests remaining a bug-bear. At 58c the share yields a prospective 6,0%. There are more attractive investments available.

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CONSTANTIA FM 13/6/80
Stronger base

Activities: *Short-term insurer. Kirsh Industries owns 52% of the equity and Capital Marine 21%.*
Chairman: *N Kirsh; managing director: T Ternent.*
Capital structure: *4,2m ordinaries of 25c. Market capitalisation: R6,3m.*
Financial: *Year to February 29 1980. Insurance fund: R7,4m. Total assets: R16,4m. Current ratio: 1,9.*
Share market: *Price: 150c (1979-80: high, 185c; low, 75c; trading volume last quarter, 56 000 shares). Yields: 11,3% on earnings; 4,0% on dividend. Cover: 2,8. PE ratio: 8,9.*

	*'77	*'78	†'79	'80
Net premium income (Rm)	11,4	18,9	8,8	18,0
Underwriting profit/(loss) (R'000s)	17	(2 680)	(433)	79
Net investment income (R'000s)	424	391	535	644
Pre-tax profit/(loss) (R'000s)	396	(2 340)	76	705
Earnings (c)	11,9	—	2,0	16,9
Dividends (c)	6,0	1,0	—	6,0
Net asset value (c)	89	30	42	87

* 12 months to June 30. † 8 months to February 28.

Backing the group's return to profitability and to the ranks of the dividend payers, Consure's balance sheet now looks a lot stronger and conforms more closely to industry averages.

In addition to details provided in the annual report, MD Trevor Ternent says that, just as the solvency margin has increased from 11% to 21%, other important ratios are all looking considerably more healthy. Technical reserves, for instance, have eased from around 74% of net premiums to stand at 63% — somewhat below the industry average. The acquisition costs ratio, he admits, is a little high, standing at around 35,4% of earned premiums, against an industry average of about 32,5%, but this arises from the fact that administration costs are still affected by the re-organisation of the group.

Falling interest rates, however, led to a drop in investment income. In the eight months to end-February 1979, the group earned R509 000 from this source, equivalent to an annualised R763 000. Last year, net investment income was R626 000. The balance sheet investment figure is down from R7,3m to R5,6m, and Ternent ascribes this to the group's policy of paying claims more promptly and more readily, which placed some temporary strain on cash reserves.

This year, he says, though interest rates remain low, the additional amount available for investment — which was freed by the R1,1m profit-making sale of the group's share in Nedbank Mall — should return investment income to an upward path.

The fact that underwriting profits have resumed after losses in the last couple of years, is another sign that the group's operations are beginning to return to normality.

Though Constantia aims to reduce its dependence on the motor side of its business, Ternent believes that it will not contribute much less than 80% of gross premiums this year, after 82% last year. However, he adds, the upswing in the motor industry means that this area has been more profitable than had been expected. Emphasis is however being placed on raising the group's profile among brokers in the non-motor sector.

Strengthening of the balance sheet should continue through fiscal 1981 as the motor business remains buoyant and diversification gives a stronger earnings base. At the same time, Ternent says that the group has its sights firmly set on acquisition this year.

Despite the positive factors, at 150c the share yields an historic 4%. On this basis the share price discounts a large part of any organic advance and possible growth through acquisition.

Scott Hawker

RENCORP Fm 13/6/80 SK

Moving profits

Activities: *Distributes earthmoving equipment through subsidiary Terra-quip and industrial belting and ancil-lary items through Belting Supply Services Canadian interests hold 52,6% of the equity*

Chairman: *I G MacPherson.*

Capital structure: *1,1m ordinaries of R1 258 200 deferred ords of R1. Mar-ket capitalisation R3,3m*

Financial: *Year to February 29 1980 Borrowings long- and medium-term R280 000, net short-term, R1,2m. Debt equity ratio 35,2%. Current ra-tio 1,6 Net cash flow R985 000 Cap-ital commitments R830 000*

Share market: *Price 300c. (1979-80 high, 350c, low, 145c, trading volume last quarter, 5 000 shares) Yields 32,6% on earnings: 7,3% on dividend. Cover 4,4 PE ratio 3,1*

After a couple of years of reduced earnings following its major diversification programme in 1977, the group is now reaping the benefits of the economic upswing. The market has taken this into account, rating the share on a 7,3% historic dividend yield, compared with 14,7% two years ago and 9,7% last year.

The bulk of business comes from the group's industrial belting and ancillary products division, which earned R631 000 (R531 000) after tax last year. Its contribution to taxed profit, however, fell from 71,5% to 62% as earnings from earthmoving equipment operations rose from R209 000 to R387 000. The sharper rise in the latter is attributable both to the greater demand generated in current improving economic circumstances and to the lower base from which it was operating.

	'77	'78	'79	'80
Return on cap %	29,8	36,1	31,3	32,1
Turnover index*	224	309	361	564
Pre-tax profit (Rm)	1,0	1,1	1,3	1,7
Earnings (c)	94,2	67,2	72,4	97,8
Dividends (c)	16,5	17	18	22
Net asset value (c)	114	196	243	308

* Base 1972 = 100.

Improved earnings growth is being accompanied by a fairly extensive expansion programme. Terraquip, the group's agency distributing John Deere earthmoving equipment, bought land in Boksburg in 1978 and last year signed a R440 000 contract to build offices and works on the site. At the same time, Belting Supply Services is building new premises for itself and Terraquip in Pinetown at a cost of R525 000. Though these developments are being funded internally and chairman Ian MacPherson warns that inflation and growth will place new demands for working capital in the current year, there should be no funding problems.

The group has increased its debt: equity ratio steadily over the last few years, but it is still comfortably placed at 35,2%. Within the equity structure is a loan stock issue which is redeemed equally with dividend payments. Simultaneously, deferred shares attached to each unit of loan stock are converted into ordinary shares.

Stocks increased by around 40% last year as advantage was taken of exchange rate fluctuations to build up imported stocks. A new PVC plant came on line during the latter half of the year which, though it did not contribute to profits, also required some stocking up. It is expected to contribute to profits this year.

Though no turnover figure is given, sales rose 27% while trading profit rose 34% to R1,7m (R1,3m). Margins have obviously improved, but with conditions in the industry still highly competitive, they are not likely to be wide. Leasing charges have increased from R32 000 to R161 000, as additional plant and equipment were taken on, but the interest and leasing charge is covered an easily manageable 6,6 times by pre-tax profit.

Though earnings have been weak for the last couple of years, conservative dividend cover has allow dividends to be increased every year. With a return to higher earnings a payout of about 27c may be possible for a prospective yield of 9%. However that is largely academic as the shares are virtually unmarketable, and when they are traded, it is in small lots.

Scott Hawker

TOLLGATE 58

M&R shows its hand

Three week's after Tollgate's suspension, Murray & Roberts has confirmed that it is negotiating to acquire the Cape-based transport and finance/insurance group. However, it looks as if it will be some weeks still before final details are announced, apparently because no plans have yet been hammered out on what will

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happen to some of the Tollgate divisions.

Market talk suggests a price for the Tollgate group (excluding any deal that might be made on the Shield Insurance and Golden Arrow finance operations) of around 550c. This is based on a net worth of about 525c and the group's earnings potential. The fact that M&R has not been suspended indicates that it will be a paper or cash/paper deal. In the year to end-June 1979, Tollgate's R10,2m taxed profit would have added about 45c to M&R earnings, which totalled 82,4c. In a cash-only deal that would be material enough to warrant suspension.

M&R is apparently interested in the Tollgate transport activities though there has been speculation that Alderson & Flitton might be involved in a side deal on Springbok Atlas Safaris, which was previously under the control of Johan van der Burgh, now one of the A&F controlling shareholders. There has also been talk that Shield might revert back to Tollgate's present controlling shareholders, though it is believed M&R has a basic agreement in principle for the acquisition of the company.

M&R's gains

Tollgate was capitalised at R65,8m at the 430c pre-suspension price, including the shares held by a subsidiary. The net price to M&R assuming a price of 550c would thus be R61,2m, though the family directors' stake would cost over R20m.

The advantages to M&R centre around the group's efforts in recent years to diversify some of its assets out of the cyclical construction industry, and Tollgate's cash generating capacity.

Tollgate's taxed profit for the six months to end-December was R5m (R4,9m) and, based on market estimates for the full year, earnings could be around R13m, with a group cash flow of over R15m. The extent of the group's cash resources can be gauged by the interim statement that this year's R10,6m capex would be financed internally, despite payment of an unchanged 10c interim dividend.

If market estimates of the price are accurate, minorities might be encouraged to accept. An offer of around 550c would be a 28% premium on assets and an exit PE, based on earnings of about 110c-115c, of nearly five times.

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INDUSTRIAL SELECTIONS LIMITED
Declaration of Dividend

The estimated results for the year ending 30 June 1980 are as follows:

1979		1980
R3 957 000	Income before taxation	**R6 816 000**
44 000	Taxation	**106 000**
R3 913 000	Income after taxation	**R6 710 000**
62,1c	Earnings per share	**98,0c**
16,0c	Dividends: Interim	**25,0c**
30,0c	Final	**50,0c**

The annual report of the company will be posted to shareholders on 21 July 1980.

Notice is hereby given that a final dividend of 50 cents per share has been declared in respect of the year ending 30 June 1980. Dividend cheques will be dispatched on 29 August 1980 to shareholders registered in the books of the company at the close of business on 8 August 1980. In terms of the Income Tax Act 1962 (as amended) non-resident shareholders' tax will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa

The transfer books and share register of members will be closed from 9 August 1980 to 16 August 1980, both dates inclusive.

By order of the Board
INDUSTRIAL DEVELOPMENT CORPORATION OF SOUTH AFRICA LIMITED: SECRETARIES

per: P E JACOBS

Registered Office:
Third Floor
Van Eck House
19 Rissik Street
JOHANNESBURG
2001

Transfer Secretaries
Consolidated Share Registrars Limited
62 Marshall Street
JOHANNESBURG
2001

11 June 1980

4054

high, 71c; low, 30c; trading volume last quarter, 146 000 shares). Yields: 27% on earnings; 6,5% on dividend. Cover: 4,2. PE ratio: 3,7.

	'76	'77	'78	'79
Return on cap %	29,5	6,1	16,6	15,3
Turnover index *	181	165	170	189
Pre-tax profit/ (loss) (R'000)	744	(259)	555	417
Earnings (c)	18,4	—	16,8	16,8
Dividends (c)	2	—	—	4
Net asset value (c)	167	162	178	183

* 1972=100.

Weaving its way to recovery after the losses of 1977, Progress still has some way to go before reaching its 1976 earnings level. After two lean years of no dividend payments, shareholders will be watching the group's liquidity. Peter Jacobson has promised that if the economy continues to boom, the dividend will be increased this year.

Although turnover last year rose by 11%, profits were substantially reduced by an extraordinary loss of R195 000. The auditors qualified the 1978 financial accounts because of their doubt about the recoverability of the debt, but are now satisfied with the position.

Since year's end, the loss-making tufted carpet subsidiary has been sold, thereby eliminating a drain on profit. In addition, two Cape Town properties were sold at a profit of R337 000 and an additional mortgage bond of R310 000 was raised. This enabled the group to pay off its factor and still remain fairly liquid. More of the money will be channelled into extension of production facilities as factories are running at 90% capacity, and the remainder could be used to pay a more substantial dividend.

In any case, with a year-end debt:equity ratio of only 49%, there is room for additional debt. For the current year, dividends could be restrained. *Fiona Halse*

results and dividends

	Pre-tax profits Rm 1979	Pre-tax profits Rm 1980	Percentage change	Earned cents per share 1979	Earned cents per share 1980	Paid cents per share 1979	Paid cents per share 1980	Sector	Dividend Amount cents	Dividend Register by	Dividend Payable about
Angvaal Ord&A ....P	§23,3	§37,1	+59	522	1 041	150	230	Mining Houses	†180,00	27.6.80	1.8.80
do PP ....D	—	—	—	—	—	—	—	Mining Houses	†95,00	27.6.80	1.8.80
ATI ....P	§17,6	§25,3	+44	120	182	24	34	Industrial Hold	‡34,00	27 6 80	1.8.80
AvHold ....P	§1,4	§2,3	+66	15	25	14,5	22,5	Mining Houses	†18,00	27.6.80	1.8.80
Bertrams I	0,1	0,1	+6	2	2	—	—	Beverages	—	—	—
Blyvoor ....D	—	—	—	—	—	—	—	West Wits	†185,00	27.6.80	31.7.80
Buffels ....D	—	—	—	—	—	—	—	Klerksdorp	†430,00	20.6.80	7.8.80
Burl Ind ....P	0,3	0,3	+21	17	21	7,5	7,5	Clothing	†5,00	20 6.80	30.6.80
Cap-Auto ....D	—	—	—	—	—	—	—	Motors	†4,00	15.8.80	21.11.80
Clydesdale ....D	—	—	—	—	—	—	—	Coal	†30,00	20.6.80	21.8.80
Cons Murch ....D	—	—	—	—	—	—	—	Other Mines	★30,00	27.6.80	1.8 80
Dundee ....D	—	—	—	—	—	—	—	Engineering	†17,50	4.7.80	25.7.80
Durban Deep ....D	—	—	—	—	—	—	—	Rand & Others	★160,00	27.6 80	31.7.80
Duros ....P	0,0	0,1	—	—	3	—	—	Furniture	‡ Passed		—
Elsburg ....D	—	—	—	—	—	—	—	West Wits	★26,00	27.6.80	7.8.80
ERPM ....D	—	—	—	—	—	—	—	Rand & Others	★175,00	27 6.80	31.7.80
ET Cons ....D	—	—	—	—	—	—	—	Rand & Others	†110,00	27.6.80	1.8.80
Gefco ....D	—	—	—	—	—	—	—	Other Mines	★7,50	20.6 80	21.8.80
Hartes ....D	—	—	—	—	—	—	—	Klerksdorp	†725,00	27.6 80	1.8.80
Huletts Corp ....P	38,3	50,0	+31	54	83	37	44	Sugar	†32,00	4.7.80	4.8.80
Lion Match ....D	—	—	—	—	—	—	—	Tobacco	★★14,00	20 6 80	11.7 80
Malbak ....P	5,8	9,1	+58	32	50	13,5	18	Industrial Hold	†12,00	18.7.80	29.9.80
Middle Wits ....P	§7,2	§13,5	+87	74	140	31,5	65	Mining Hold	†45,00	27.6.80	1.8.80
Msauli ....D	—	—	—	—	—	—	—	Other Mines	★17,50	20.6.80	21.8.80
Oceana ....P	£—	£—	+59	2	3	1,25	2,1	Invest Trusts	‡2,10	27.6.80	16.7.80
Placor ....P	1,1	3,7	—	12	35	5	17,8	Building	†11,50	11.7 80	7.8.80
Plate Glass ....P	7,2	•17,4	—	40	103	14	50	Building	†32,00	11.7.80	6.8.80
Randfontein ....D	—	—	—	—	—	—	—	Rand & Others	★450,00	27 6.80	7.8.80
Saficon ....P	5,1	6,4	+26	29	48	9	14,25	Motors	†12,25	4.7.80	1.8.80
Sakers ....P	5,1	6,4	+26	27	52	9	14,75	Motors	†12,75	4.7.80	1.8.80
Sentrust ....D	—	—	—	—	—	—	—	Mining Hold	†37,00	20.6.80	21.8.80
Smith CG I	◆27,6	◆39,1	+41	46	61	◆33	◆42	Industrial Hold	★★32,00	27 6.80	4.8.80
Stilfontein ....D	—	—	—	—	—	—	—	Klerksdorp	★160,00	20 6.80	7 8 80
Trans-Natal ....D	—	—	—	—	—	—	—	Coal	†16,00	20.6.80	21.8.80
West Areas ....D	—	—	—	—	—	—	—	West Wits	★40,00	27.6.80	7.8.80
WR Cons ....D	—	—	—	—	—	—	—	Rand & Others	★7.50	20.6.80	7.8.80
Zandpan ....D	—	—	—	—	—	—	—	Klerksdorp	†123,00	27.6.80	1.8.80

P — Preliminary. § = After-tax figure. † = Final. D = Dividend. ‡ = Annual. I = Interim. ★ = 6 months ★★ = Second interim. ■ = Includes special dividend of 6c. • = After LIFO adjustment ◆ = 12 months figures.

issues

COMPANY AND TERMS:	Last day to register	Nil paid letters: Listing begins	Nil paid letters: Issued	Nil paid letters: Listing closes	Nil paid letters: Last day for splits	Nil paid letters: Date offer closes	Fully paid letters of allotment: Listing begins	Fully paid letters of allotment: Issued	Fully paid letters of allotment: Listing closes	Fully paid letters of allotment: Last day for splits	Shares listed	Shares issued	Prices of letters: Take up price	Prices of letters: Price Jun 2 cents	Prices of letters: Price Jun 9 cents
FEDFOOD — Rights issue 20 new shares for every 100 shares held at 420c...	6.6.80	9 6 80	13 6 80	2 7 80	3 7.80	4 7 80					3 7 80	18 7 80	420	—	—
HILL SAMUEL — Rights issue details to be advised							Preliminary announcement								
HUNT LEUCHARS & HEPBURN — Rights issue. 10 new shares for every 100 shares held	13 6 80						Preliminary announcement								
LIBERTY LIFE — Rights issue for every 10 shares held — either: 1 new 7½% con red cum pref share, or 1 new variable rate con red cum pref share, or a combination thereof.							Preliminary announcement								
NATIONAL VENEER HOLD — Capitalisation issue 1 share for every 2 shares held...	20.6.80										23 6 80	4.7 80			

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NATIONAL SELECTIONS LIMITED

Declaration of Dividend

The estimated results for the year ending 30 June 1980 are as follows:

1979		1980
R3 524 000	Income before taxation	**R6 546 000**
4 000	Taxation	**65 000**
R3 520 000	Income after taxation	**R6 481 000**
67,0c	Earnings per share	**112,6c**
18,0c	Dividends: Interim	**30,0c**
32,0c	Final	**55,0c**

The annual report of the company will be posted to shareholders on 21 July 1980

Notice is hereby given that a final dividend of 55 cents per share has been declared in respect of the year ending 30 June 1980. Dividend cheques will be dispatched on 29 August 1980 to shareholders registered in the books of the company at the close of business on 8 August 1980 In terms of the Income Tax Act 1962 (as amended) non-resident shareholders' tax will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa

The transfer books and share register of members will be closed from 9 August 1980 to 16 August 1980, both dates inclusive

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28 Harrison Street
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4055

Building societies pay more for deposits

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ADM 13/6/80

By HAROLD FRIDJHON

IN A move to stem the outflow of long-term deposits to the banks, the building societies have raised not only their rates for deposits of 36 months and longer but they have adjusted upwards their longer rates pattern as well as one of their dividend rates.

The council of the Association of Building Societies has recommended to its members that these rates be changed:

- Deposits for periods of 12 to 17 months to go up to 7,5% from 7%;
- Deposits for 18 months and over up to 35 months to go up to 8% from 7,5%;
- Fixed deposits for 36 months or longer to rise to 9% from 7,5%;
- Dividends on fixed period paid-up shares issued on or after today to be increased to 9% from 8,5%.

Rates payable on existing fixed period paid up shares and on existing fixed deposits unchanged for the balance of their contract periods.

The rates paid by most banks are:

- 12-23 months 7%;
- 24-35 months 8%;
- 36-60 months 9%.

The banks pitched the rate for deposits of 36 months and over at the 9% level some months ago and it would appear that ever since then there has been a steady movement of money out of the building societies.

Deposits in this category are known in banking circles to be steady money which is rolled over again and again whenever the contracts mature. As a banker told me yesterday: "This is is private money owned by acutely rate conscious investors and in total it amounts to a large sum."

And this is the money which the building societies don't want to lose, in fact this is money which they can't afford to lose. Hence this taking of countervailing action.

But with a mortgage rate which ranges between 10% and 12%, can the societies afford to pay 9% for money? The banks can handle a rate of this magnitude and still make a profit because the money they have been buying at 9% is lent at rates of 12% to 16% and possibly higher for consumer credit transactions, such as credit cards, hire purchase and leasing.

The societies have acted properly to meet competition, they dare not lose 9% money, but one must question why the middle-category rates were also changed. The previous rates were in line with the rest of the market — to nudge them up by a vital half of a percentage point does appear to be a little aggressive and perhaps without purpose.

The building society movement is hedged in by the mortgage rate which is, as far as the Government is concerned, a social not a financial-determined factor. Looking back one questions whether the rate should have come down from 10,5%. The savings in the public's hands were negligible and cutting the rate in step with lower deposit rates deprived the societies of the opportunity to achieve financial flexibility and to build up their reserves as a cushion against change.

Now the change has come and the societies are left with slender margins.

If they now find themselves a little strapped for cash because they have created an almost insatiable demand for mortgage money, they can always fall back on selling the large excess they are holding in prescribed investments.

But this is what they do not want to do because they realise that if they were to toss on to the market even a small part of the excess stock they would have to shoulder capital losses — which nobody wants to take unless he can achieve an instant profit from a correlated transaction.

The one interpretation that must not be made from this jerk in building society rates is that the market has swung around and that rates are on the march. They are not.

The building society case is a special situation. Rates are still soft with no sign in sight of any hardening. To give an example, yesterday 12 month NCDs (negotiable certificates of deposit) were quoted at 6,1% against the societies' and the banks' rate of 7% for 12-23 months.

Soaring Fugit mirrors the blue chips

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RDM 14/6/80.

By DAVID CARTE
Deputy Financial Editor

REFLECTING the sparkling performance of the leading blue chips making up its large equity portfolio, Fugit — Liberty Life's investment trust — pushed up pre-tax profits 57% to R5 450 000 in the six months to June 30.

Considering that pre-tax profit represents purely dividend income less administration expenses, this performance gives a fair idea of just how well the blue chips have performed in the past year.

The interim report released yesterday shows taxed profit up 58% to R5 385 000 and earnings a share up 32% to 7,23c in spite of a rights issue which boosted the number of shares in issue by 20% to 74 500 000 shares. The interim dividend was raised from 3,5c to 4,5c.

Notwithstanding the rights issue, net asset value a share rose 64% during the year from 144c to 237c. This means Fugit's portfolio was worth R180-million at the end of the half-year — nearly double its value of R93-million in June 1979. The rights issue brought in R14 900 000 and Fugit retained nearly R1-million of earnings last financial year, so about R71 200 000 of the gain in the value of the portfolio was straight capital gain.

Fugit's capital gain on only the 3-million Sasol shares bought with the proceeds of the rights issue at the current price exceeds R5-million.

The latest figures from Fugit are a tribute to Liberty's investment foresight of three years ago. Liberty took control of Fugit on the market in the first quarter of 1977 for what now seems an incredible average price of about 70c, a 27% discount to a bombed-out net asset value then.

Fugit director, Mr Roy McAlpine, says Fugit remains fully invested and the portfolio has not changed significantly since the yearend. He believes the market has little downside potential.

Unlike several other big institutions, Fugit did not sell its 225 000 Tiger Oats shares to Mutual at 1 750c recently as it did not believe it could reinvest the proceeds more favourably in the near future. Fugit's only significant sale was its 330 000 Fedmis, disposed of in the minorities takeout by Sentrachem.

Because several of its heavyweight holdings, such as De Beers and Anamint pay more in the first half, second-half earnings are unlikely to equal the first half's. Nevertheless, Fugit will more than likely earn a minimum of 13c this year and pay 11c.

At 195c, the share yields a historical 4%. The 11c dividend I have forecast gives a prospective yield of 5%, which in spite of the current 17% discount to net assets, may be a little low in a market that, though still strong, is unlikely to match its 1980 performance in a hurry.

15/6/80. SUN TRIB. (FIN)

Textile industry breaks out of years of languor

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By TONY HUDSON
FINANCE EDITOR

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THE textile industry has sprung to life after several bad years and in recent months has become one of industry's best performers.

According to the latest Standard Bank Economic Review the industry's production is at its highest level yet recorded. In February the level of production was 18 percent up on the same month last year.

Value of sales in that month was 30 percent up on the previous year. The bank says indications are that this growth has continued during the past few months.

This rapid improvement has led to substantial pressure on production capacity and labour and production facilities.

During the first quarter capacity utilisation was about 93 percent in an industry where 90 percent is considered full utilisation.

This has led to substantial increases in the labour force, a lot of overtime and significant expansion plans.

The recovery is all the more surprising because the industry showed

The Economic Review suggests this means that local industry is becoming increasingly unable to satisfy local demand. It points to the increased level of permit issues for imports of textile piece goods. They increased by only 12,5 percent in 1979 to R152 million and rose by 28,4 percent during the first quarter of this year compared to the same perior last year.

This means that textile imports are going to gain a greater share of the local market, even if the Government is to adjust textile tariff schedules to prevent a massive inflow of foreign made textiles.

The industry is making an effort to improve production and at present about R110 million has been firmly committed to expansion plans, with another R50 million to be committed in the next 12 months.

The recovery is all the more surprising because the industry showed substantial weakness when the economy in general started to recover in 1979.

The picture changed dramatically in the last two quarters of last year when consumer and clothing manufacturer demand started to strengthen. Car sales also started to strengthen (textiles are a major input here as carpets, seat upholstery and tyre components), clothing sales turnover of furniture dealers started to climb. Housing completions, where carpets play a major part, also started to increase.

The industry is now operating under heavy pressure to meet demand, with some plants working up to four shifts, leading to a substantial increase in unfilled orders.

In February, unfilled orders at knitting mills were 17 percent up on 1979 while unfilled orders for yarns, blankets and other textiles were up by 35 percent.

They're crying wolf over clothes from the East

By JACK BRICKHILL

THE clothing manufacturers are crying wolf over the importation of clothes and textiles mainly from the Far East, say major retailers.

Adrian Bellamy, chief executive of Edgars, says the clothing industry in South Africa is already one of the most protected in the world and the importation of goods provides the competition and impetus to keep the local industry efficient.

The main problem facing retailers and manufacturers is the availability of fabrics. Mills in the country are already committed well into next year and are finding it difficult to meet demand particularly for big orders. The mills also produce a limited range of fabrics.

Corduroy and much of the polyester cotton used to make shirts must be imported. Fabrics from abroad are also needed to provide a fuller range of qualities and designs.

Millers and manufacturers should not look for more tariff protection but should rather put their own house in order, says Bellamy.

Frank Whitaker, executive director of the National Clothing Federation, says South Africa is a potential dumping ground for Far Eastern clothes as consumption drops in the recession-hit Western countries.

The quota system under the Multi-Fibre Arrangement protecting European and American manufacturers from Far East competition is likely to be tightened up when the present agreement ends next year.

South Africa is not a party to the agreement. With the relaxation of import control and increased competition among Eastern countries imports into this country can be expected to grow significantly, says Whitaker.

There appears to be no marked importation of clothes and fabrics at present. Meyer Kahn, managing director of OK Bazaars, says his group is actually decreasing its level of imports because the quality and prices of local products is attractive. So far there are no serious problems of supply from local manufactureers. OK clothing sales comprise only three percent of imported goods, mainly knitwear.

Edgars imports are 2,5 percent of total sales but Bellamy wants to push it up gradually.

Despite a preference for home products British stores still carry a large range of imported clothes and fabrics. Imports at Marks and Spencers are nine percent of sales and at British Home Stores the figure is 37 percent.

15/8/80
SUN (PROPERTY)

FIRMS OPT FOR BUYING RATHER THAN REMAIN TENANTS

(58)

Property Reporter

ESCALATING rents and the advantages of owning rather than leasing are encouraging more and more companies to buy their own premises.

Trevor Warman, the commerical and industrial director of Isaacs Geshen, cites an increasing number of purchase enquiries from sitting tenants, with two deals being concluded this week alone.

The Air Survey Company of SA Ltd has paid R100 000 for the Calais Road building which it occupies. In Voortrekker Street, Jacobs, Ultimate Instrument Contractors (Pty) had done a similar deal for R94 000.

"Costs are escalating and landlords expect to obtain the increases from tenants," said Warman. "But feasibility studies show that it's cheaper to fund the purchase of a property than remain a tenant and meet the increases which landlords are demanding.

"The owner-occupier has the advantage of being on the spot to control maintenance expenditure and to keep an eye on other tenants should he not occupy the property exclusively."

Air Survey's property is already known as Air Survey House and comprises a ground and two upper floors. Air Survey has occupied the first two floors and will now expand into the upper level, says managing director Barry Jefferys. An adjacent block of flats is included in the purchase.

The company is one of South Africa's oldest aerial survey specialists having operated from Durban since 1956.

Ultimate Instrument's property — in one of the main roads on the Jacobs industrial estate — is unique in that it is the only office block in an area of factories and warehouses.

The three-storey building is mainly occupied by UIC which plans to take over the whole building as tenants expand into other larger premises.

"We analysed the situation and found it far more profitable to buy than to rent," said managing director Renzo Beltramini. "We can control our costs and of course we have changed an overhead such as rental into an investment."

The company was founded in 1975 and specialises in the design and installation of process control systems.

Germans look at property

RDM 16/6/80

(3)
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Financial Reporter

GERMANS, usually shrewd property investors, are looking at investment possibilities in South Africa.

A German property investment consortium, with R20-million at its disposal, is looking for a rewarding home for its funds. It was hosted in Johannesburg recently by Richard Ellis Dunlop Heywood.

German interest in the South African property market is largely the result of improved economic conditions, led by the greatly increased gold price and the obvious attractions of the financial rand with its effect of increasing yield on investment by foreign-based investors, says Mr Alistair Barclay of the property group.

The German funds have been allocated for investment in commercial, industrial and residential properties whether in the form of outright purchase of established buildings or in new property developments with a view to inviting SA participation.

The German entrepreneurs showed particular interest in completed investment buildings and development sites.

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ESTATE AGENTS AND THEIR ETHICS

15/6/80 SUN TRIB (PROP)

IN TRIBUNE PROPERTY on June 1, Natal Midlands estate agent Keith Emanuel complained that ethics and standards in the real estate world were going down the drain.

This week, Terry Boyd, the chairman of the Durban and Natal Coastal branch of the Institute of Estate Agents comments on the accusation, and says the organisation is to spend thousands on education to improve standards.

NO HESTITATION IN ACTING AGAINST CODE OFFENDERS

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Terry Boyd, chairman of the Durban and Natal coastal branch of the Institute of Estate Agents

THE Institute of Estate Agents of South Africa is seriously concerned about the ethics of its members in particular and, generally, all estate agents in South Africa.

It carefully examines all claims of unethical conduct in terms of its code, regulations and constitution against any of its members and does not hesitate to act if any code has been violated.

The point raised by Keith Emanuel was that he was dissatisfied that agents were permitted to tout for business. The institute's code states that a member may not deal in any way with a property over which another member has a written sole mandate.

Engaged

Nor may a member deal with any party while another member is actively engaged with that party in relation to a specific negotiation.

Members generally adhere strictly to these principles as they are considered fair to all concerned. However, it was a recent decision of the institute to permit normal market conditions to apply in all other circumstances; thereby permitting a buyer or seller to consult one or any number of agents as he or she sees fit.

Stricter

The code of the institute, which governs its members only, is stricter than the code of conduct of the Estate Agents Act of 1976.

Because the institute is gravely concerned about the education and professionalism of estate agents in the current competitive and sophisticated business scene it has been decided to bring out American educationalists, who have the benefit of the most advanced systems in real estate today, to educate certain hand-picked, experienced members of our institute.

These members will offer the training they received to all other members. The cost of this exercise, which will run into several thousand rands, is willingly borne by the institute in the interests of professionalism.

In addition, the institute has established an examination to test the basic knowledge of estate agents and from 1981 will make this examination compulsory to any estate agent who wishes to become a member of the institute.

Obligations

It has always been the policy of the institute to impose greater obligations and professionalism on its members than are currently set down by the Estate Agents Board.

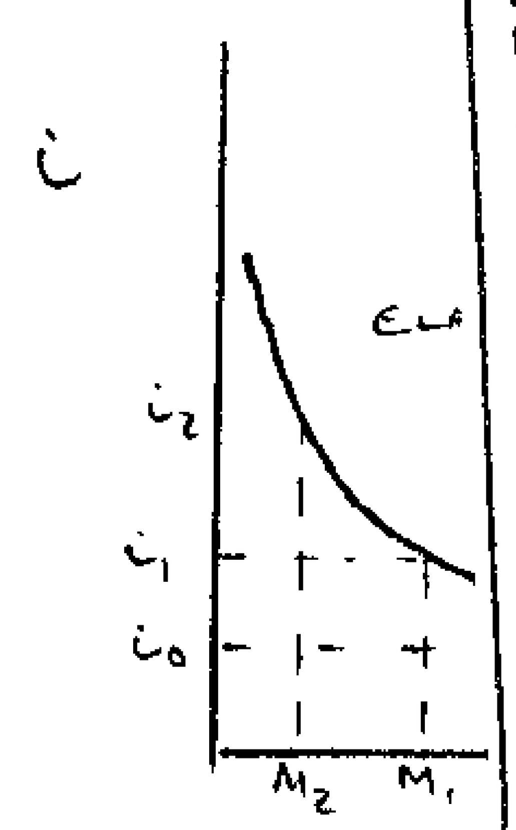
In this manner it is hoped that the institute can show the Estate Agents Board what it considers are necessary requirements for a professional estate agent.

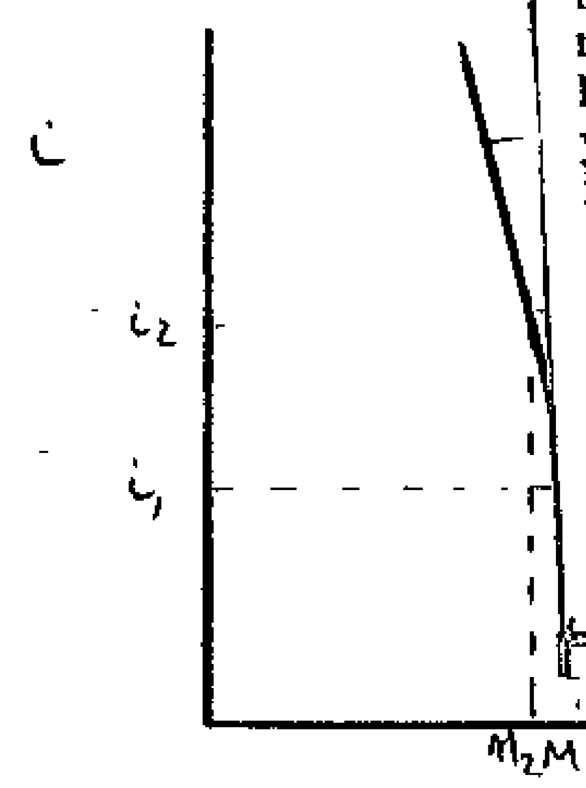
Element

It is interesting to note that all the major commercial, industrial and residential estate agents of all race groups in the greater Durban area have opted for membership of the institute, despite the cost, because they believe in the efforts of the institute towards a responsible, well-educated estate agent who forms an essential element in our free enterprise system where property ownership has a deservedly preferential value to the community.

QUESTION

The monet... importan... that it ... acknowledge





58 ~~232~~ RDM 17/6/80.

It's all GO for Fedvolk

By ELIZABETH ROUSE

FEDERALE Volksbeleggings spurted ahead in the past year, both on the economic upswing and on expansions in the chemical, food and machinery sectors.

As predicted at the interim stage, Fedvolk's growth accelerated in the second half of the year and the group has done well for its shareholders by increasing their assets substantially.

A final dividend of 14c has been declared, making a total of 22c against 21c paid for the previous 15 months, which amounted to an annualised 16,8c.

Taxed profit for the year to last March is R16 050 000, up 74,7% on an annualised R9 186 000.

The group planned its acquisitions well so as not to dilute shareholders' earnings noticeably and earnings are up 70,5% at 66c a share from an annualised 38,7c.

Fedvolk has chalked up some records — group turnover has risen by 60,4% to R730-million, total assets have grown by 39% to R579 million and net asset value has increased by 44% to 811c a share.

The group took full advantage of the general improvement in the economy, particularly in the second half of the year, and all operating companies achieved better profits.

The marked improvement of group profitability and the significantly stronger financial structure is evident in higher returns for shareholders.

Net profit attributable to ordinary shareholders as a percentage of the average shareholders' interest increased from 11,3% in 1979 to 14,5%. Total shareholder's interest as a percentage of total assets improved from 41,1% to 46%.

Historically, Fedvolk has never been shy to take the initiative to expand when others are hesitant about prospects.

Last year it strengthened its interests in the important chemical sector and in electronics, expanded its food interests, diversified its fishing interests and created a machinery-engineering group through Fedmech (formerly Masferg).

The financial ratio is 46% (41,1%), which leaves the group in a healthy position to make further acquisitions.

Fedvolk's moves in the chemical sector over the past year have perhaps the biggest potential for earnings growth.

Fedmis was taken over by Sentrachem while the Federal subsidiary, Federale Chemiese Beleggings, increased its shareholding in Sentrale Chemiese Beleggings, the controlling company of Sentrachem, to 50%.

Fedfood acquired Table Top and Riviera but these companies' activities are still being rationalised and consolidated.

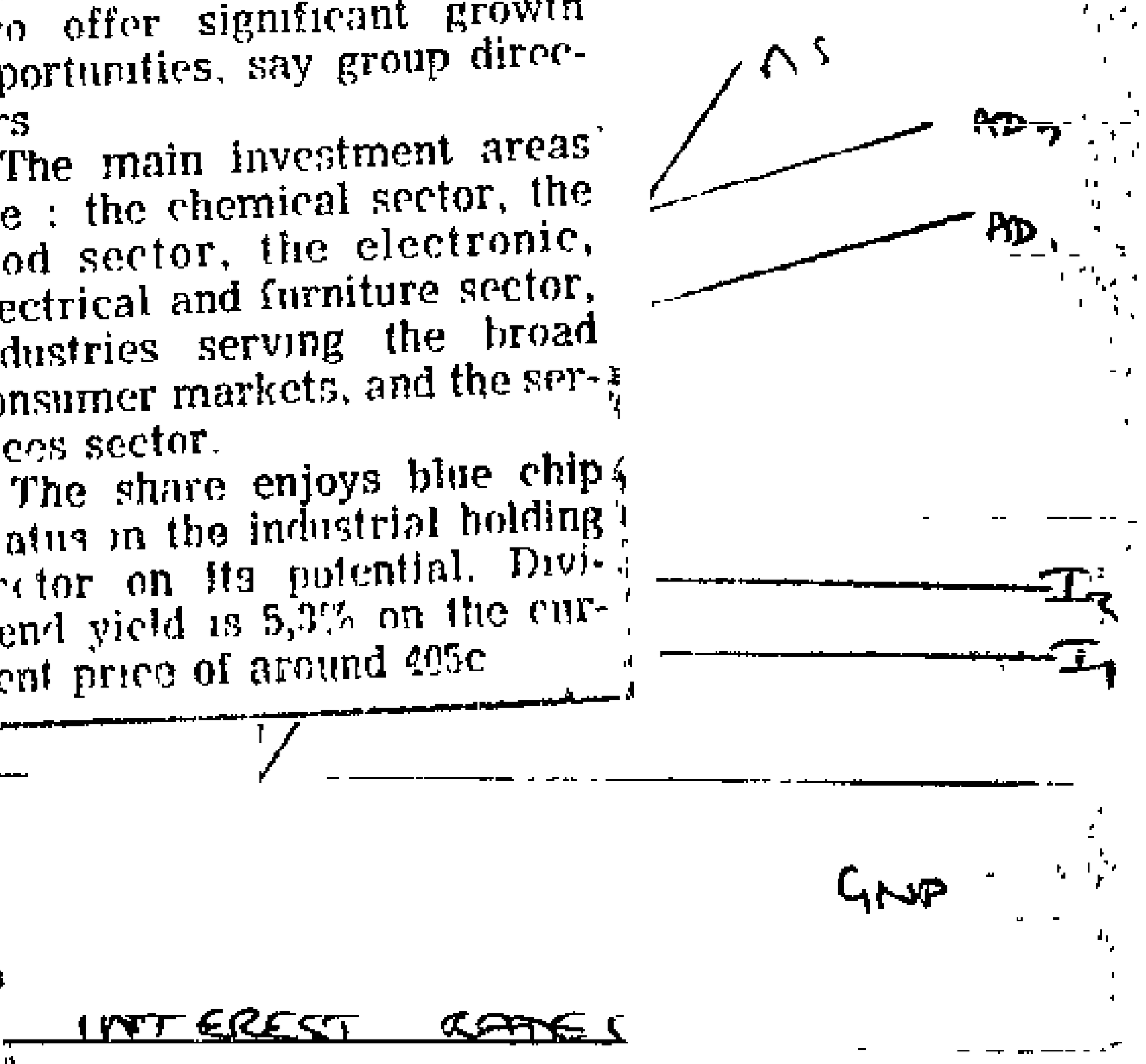
The acquisition of a 75,1% interest in Fedmech proved a move to extend interests in mechanical engineering, as the recent Fedmech acquisition of the mining supply company, Arban Engineering, testifies.

The increase of Federale's investment in Telectra Corporation (which controls the Morkels group) from 50% to 100% should yield benefits both on the television and furniture side.

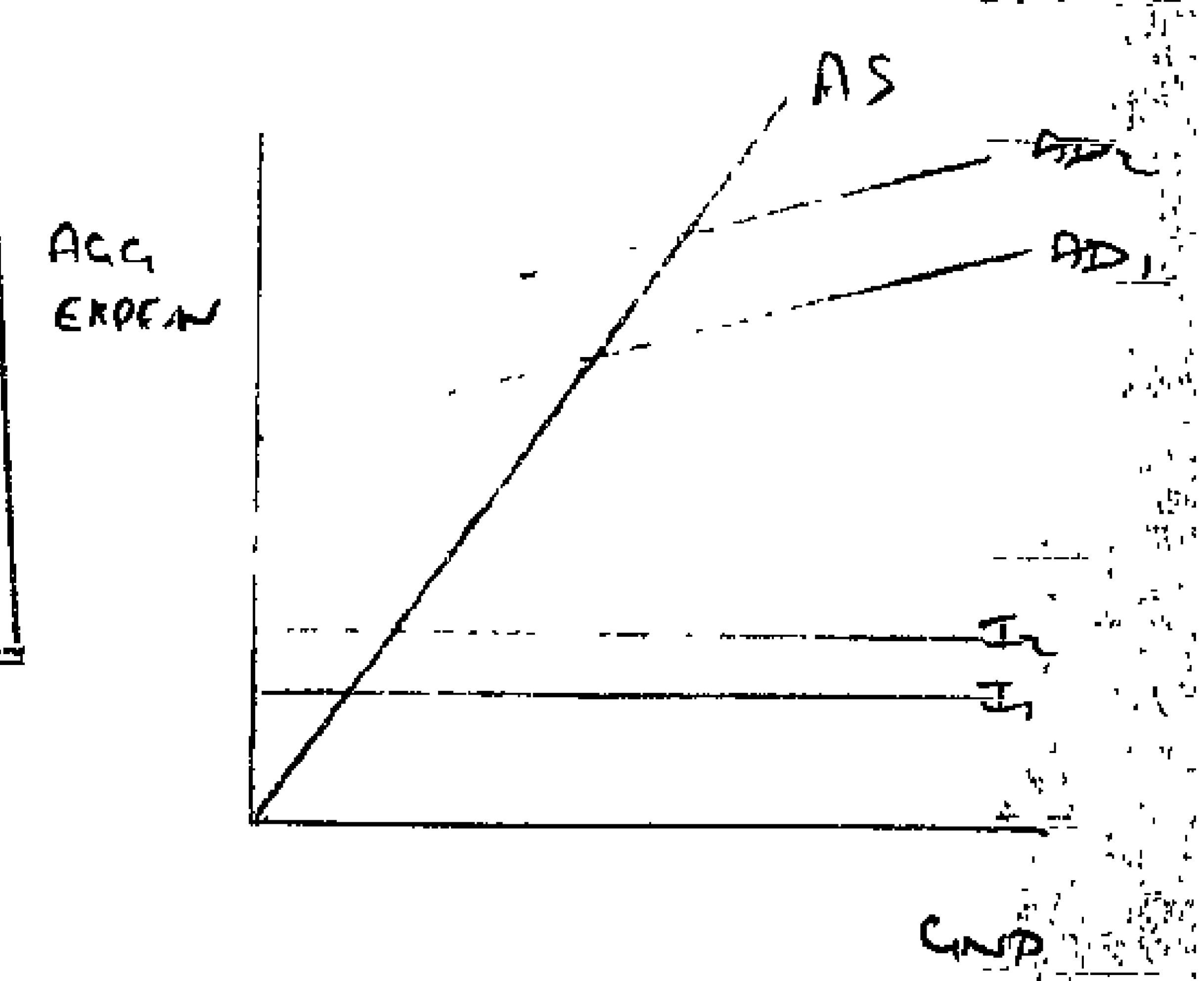
Fedvolk's investments are now clearly defined into five sectors, which represent not only a well balanced portfolio with a sound income base, but also offer significant growth opportunities, say group directors.

The main investment areas are: the chemical sector, the food sector, the electronic, electrical and furniture sector, industries serving the broad consumer markets, and the services sector.

The share enjoys blue chip status in the industrial holding sector on its potential. Dividend yield is 5,3% on the current price of around 405c



INTEREST RATES



M I

HOW THE MONETARISTS VIEW INTEREST RATES

The Keynesians see the demand for money as relatively ~~interest~~ elastic and the Marginal Efficiency of ~~Capital~~ Investment as interest inelastic.

On the other hand the Monetarists view the demand for money as interest inelastic and the Marginal efficiency of Investment as interest elastic.

The Keynesians say that a change in the demand for money will have relatively little effect on 'i' - the rate of interest and that once in the area of the liquidity trap no amount of change in the money supply will make any difference to the rate of interest

(21) (58) RDM 18/6/80.

Retco board to be grilled

DAVID CARTE
Deputy Financial Editor

THE BOARD of Retco will face flak from irate shareholders at the company's annual meeting on Thursday.

A group of dissatisfied shareholders, among them one of the founders of Retco, have briefed senior counsel to raise questions on the way the company has been run in recent years.

According to Mr Bill Trollip, the holder of 110 000 shares and one of a group which mooted and launched Retco in 1968, counsel will demand to know the price and terms offered for Retco by a group of pension funds in negotiations called off in April. He will ask why the deal was not consummated.

Counsel will also inquire about SA Breweries properties sold to Retco, particularly what price was paid for what Mr Trollip describes as "a number of old, inconsequential, dilapidated urban hotels, some of which are vacant and the rest of which appear to earn negligible returns".

He will want to know why properties bought from SA Breweries were in the interests of Retco.

Counsel will ask for the taxed profit on each of a number of properties and for an explanation of what Retco intends to do to them. He will ask whether rentals are tied to turnover and what redevelopment plans Retco has for these buildings.

Mr Trollip says most property companies that ailed during the property recession did so because they had completed expensive, mortgage-financed buildings which they could not fill.

This, he says, was not Retco's problem. Until 1974, before it made certain acquisitions, most its properties were relatively fully let and of good quality. Counsel will demand an explanation of the company's poor performance in the light of this.

As the graph shows, profits have fallen since 1976.

Another matter that will be raised is why Retco bought Arbitrage Properties, a 6000 m² site for development on the corner of Diagonal and President streets, Johannesburg, in 1975 ahead of the property collapse in 1976. Counsel will ask what the R6 500 000 property has cost in interest and rates in the past five years.

The meeting will be at SA Breweries head office, 2 Jan Smuts Avenue, Johannesburg, at 10 o'clock on Thursday.

3 SECTION B

SA among lesser of Pick's trash money sinners

(58)

RDM 19/6/80.

By SIMON WILLSON

SOUTH Africa has been accorded the dubious accolade of 57th place in an international blacklist of countries which are accused of debasing currencies by increasing their domestic money supply.

The next edition of Pick's Currency Yearbook, due out later this year, has drawn up the blacklist after a survey of credit creation in 97 countries, and has linked the list to a broadside against conventional methods employed by governments to finance their deficits.

The yearbook has devised a cunning index of the mischief it claims governments are perpetrating against traditional monetary theory: it has worked out the currency circulation a head in the countries under study, in both constant and current prices, and ranked them accordingly.

South Africa's low placing is a reflection of its dual economy and lack of a recognisable and coherent middle class, but is also an indication of the relative discipline South Africa has adopted when it comes to the supply and velocity of circulation of its money.

The yearbook's standpoint in the present wide spectrum of economic thought on government credit creation is instantly recognisable as monetarist and Friedmanite.

"In an age of inflation, no central bank or government will pay out gold or silver to anyone presenting national banknotes for redemption — the ideal currency and price stability having been butchered years ago on the altar of so-called 'economic growth' and 'full employment'," Pick thunders.

The study found that in virtually every country the manufacture of banknotes was an absolute monopoly. The creation of legal tender had been made "dirt cheap".

"The banknotes are printed in the secure knowledge that the public does not care to protest against the slow expropriation of assets via the rising cost of living that turns currency into nothing more than ghost currencies."

It says all the evidence showed that the populations of all countries were not interested in the workings of currency theory or in examining central bank statistics. They wanted only more banknotes, regardless of their purchasing power.

Their governments simply increased the supply of banknotes, supposedly in pursuit of higher living standards, but actually to service their continually rising debts.

"The printing of banknotes has become the accepted source of putting money into an economy to cope with the public and private debt. At the same time the acceptance of legal tender that is subject to continuous debasement is enforced by fines and punishments, as well as by stringent foreign exchange controls."

The table of the yearbook's currency sinners shows that currency in the hands of the public has been expanding steadily since the Second World War to swell national incomes and raise standards of living as well as to compensate for the debasement of purchasing power.

Top of the blacklist is Switzerland, which has the money equivalent of \$2 229 a head of its population in circulation. Bottom is Laos, which has a score of \$1 a head.

South Africa has \$53 — not a great score compared with similar countries like Australia and Canada (both \$315) and Argentina (\$124) — but it is still an indication of its financial discipline.

At least the economy is not awash with increasingly worthless rands and is not — yet, at least — besieged by orchestrated demands from powerful labour conglomerates for more confetti money to pad out the declining worth of their pay packets.

This happens much more frequently in Western Europe, and when it is noted that Western European countries have circulation a head scores such as Belgium (\$1 185), the Netherlands (\$674), West Germany (\$668), France (\$581) and Italy (\$400), it is easy to see why.

South Africa's 57th place and \$53 a head circulation is therefore a sort of backhanded compliment, and sectors of the population have benefited in the last Budget from the policies the score indicates.

As the yearbook observes somewhat biliously in a footnote: "In an era dedicated to the debasement of money, more is less."

It is a pat on the back for South Africa's economic management

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NOTE CAREFULLY

1. The answers only o... marked. The left h... rough work, but no... work. ...or ...ch pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Enter at the top of e... the block on this co... ...of ...on you are answering.
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.

2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Retco turned down 90c bid

7 (58) . RDM 20/6/80

By DAVID CARTE
Deputy Financial Editor

RETCO TURNED down an offer of 90c a share from a group of pension funds in unsuccessful negotiations in April, Mr Dick Goss, the chairman of Retco and managing director of SA Breweries, told a disaffected Retco founder-shareholder at the annual meeting in Johannesburg yesterday.

Questioned by Mr Geoff Leveson, SC, on behalf of Mr Bill Trollip, the holder of 110 000 shares and one of the founders of Retco, Mr Goss said the negotiations were terminated because they looked as if they would continue indefinitely and 17 000 shareholders were being inconvenienced by the share's suspension.

Retco was suspended at 75c and today stands on 62c. It had net assets of 105c at the last balance sheet.

In reply to another of Mr Trollip's questions, Mr Jimmy Ward, managing director of Retco, acknowledged that a merchant bank, Finansbank, had offered Retco the opportunity of bidding for control of OK Bazaars before SA Breweries acquired it.

"I had certain casual discussions with the managing director of Finansbank and he was to-ing and fro-ing between OK and me. When I realised that the controllers of OK were interested in selling their entire stake, I knew Retco did not have the resources for the acquisition. We could not issue shares. After speaking to Mr Goss, I suggested to Finansbank that SAB might be interested. And the respective parties took it from there."

Mr Goss told the meeting that 36 out of 44 buildings obtained from SA Breweries had subsequently been sold.

"That's an indictment of something," said Mr Trollip.

Mr Goss disclosed that the eight remaining buildings, taken over from SAB at a book cost of R2 221 000, earned R154 000 last year — yielding less than 7% on cost.

He said most the other properties had been sold at capital profits. The Cecil Hotel in Bloemfontein, for instance, had been sold for R495 000, compared with a capital cost of R400 000.

"That is a low return on cost over a 10-year period of high inflation" said Mr Leveson.

Mr Goss said the hotels yielding an unsatisfactory return would be sold when possible. Retco had plans to revamp several properties. It intended building a 312-bay parking garage in Eloff Street. This would justify the renovation of several Retco buildings in the area.

Questioned on the purchase of Arbitrage Properties, adjacent to the Johannesburg Stock Exchange, Mr Goss said that although it had been bought in 1973, because of the JSE's indecisiveness about the size of its development, there and problems in removing tenants on the site, transfer had been effected only in 1976.

In 1976 Retco shareholders had been told that a R30-million building would be built there. Economic events — a huge oversupply of office space in Johannesburg — had overtaken the company and in 1977 the plan was shelved indefinitely. To date capital, interest and holding costs amounted to R6 300 000.

Retco would be prepared to sell the site or swop it for income-producing properties if it could, even at a loss, but there were few potential buyers who could afford it.

Mr Trollip intends to write a circular to all Retco shareholders complaining about this property "bought at an incredible price that has not yielded a cent". He says he is amazed that Retco and the JSE could conclude a purchase and not ensure that tenants were off the site in reasonable time.

Mr Trollip asked why Retco had never been granted one property development contract by SA Breweries or its subsidiaries, why in particular Retco had not been offered participation in developments by Southern Sun and OK Bazaars.

Mr Goss said SAB and its subsidiaries could not prejudice their shareholders by granting special rights to Retco. They had to deal with Retco on an arms-length basis, but Retco was free to compete with other property developers.

Mr Trollip asked one of the directors of Retco, Mr G T MacRobert, how many shares in Retco he held, how many meetings of Retco he had attended, how much time he had spent on the affairs of the company and what his remuneration as a director had been.

Mr MacRobert replied that he had 6 000 shares, he had attended all five or six meetings. He missed one while on leave. His director's fee was R2 000.

Mr Trollip alone opposed the reappointment of Mr MacRobert as a director. One shareholder opposed the reappointment of Mr Jimmy Ward. All the other directors were reappointed unopposed.

HILL SAMUEL FM 20/6/80 58

Concentrated recovery

Activities: *Merchant Bank, 71,5%-owned by UK-based Hill Samuel group.*
Chairman: *G V Richdale; vice-chairman CNA Castleman.*
Capital structure: *5,8m ordinaries of 50c. Market capitalisation· R21,2m.*
Financial: *Total assets R289,3m.*
Share market: *Price: 365c (1979-80: high, 410c; low, 33c, trading volume last quarter, 24 000 shares). Yields: 10,9% on earnings; 7,5% on dividend. Cover: 1,5. PE ratio: 9,1.*

	'77	'78	'79	'80
Pre-tax profit (Rm) ..	2,1	2,2	2,3	3,4
Total assets (Rm)	129	142	163	289
Earnings (c)	10,2	10,4	*30,9	39,9
Dividends (c)	7,5	7,5	*17,8	27,5
Net asset value (c) .	112	104	*226	239

* On reduction of shares in issue to 5,8m (14,5m).

Fortuitously or not, Hill Samuel appears to have struck the right earnings combination following disposal of its property and insurance related interests. Without these problems to worry about, management has been able to concentrate on merchant banking at a time when demand for the

CONT

company's services was poised for take-off.

As it was, the first three quarters of the fiscal period were characterised by high levels of corporate liquidity and consequent slack loan demand. The situation changed in the final (March) quarter with a swing from overseas to locally-based trade finance. And that situation seems likely to persist during the current year. At the same time, with a record number of completed transactions, fee income was substantially higher than in fiscal 1979.

Outgoing chairman Gordon Richdale is cautious on tee earnings prospects for the current year, pointing out that earnings from capital raising, mergers and acquisitions can be influenced by one or two major transactions or market changes. But, presumably, if the current phase of the economic cycle results in strong advances in corporate loan demand, there will be similar advances in other fund raising activities.

Management does not provide an estimate of this year's likely lending advances, but they should be significant especially as most of last year's loans advance to R73,5m (R55,1m) took place in the last quarter. By year's end, bills accepted and rediscounted had risen to R162,8m (R60,9m).

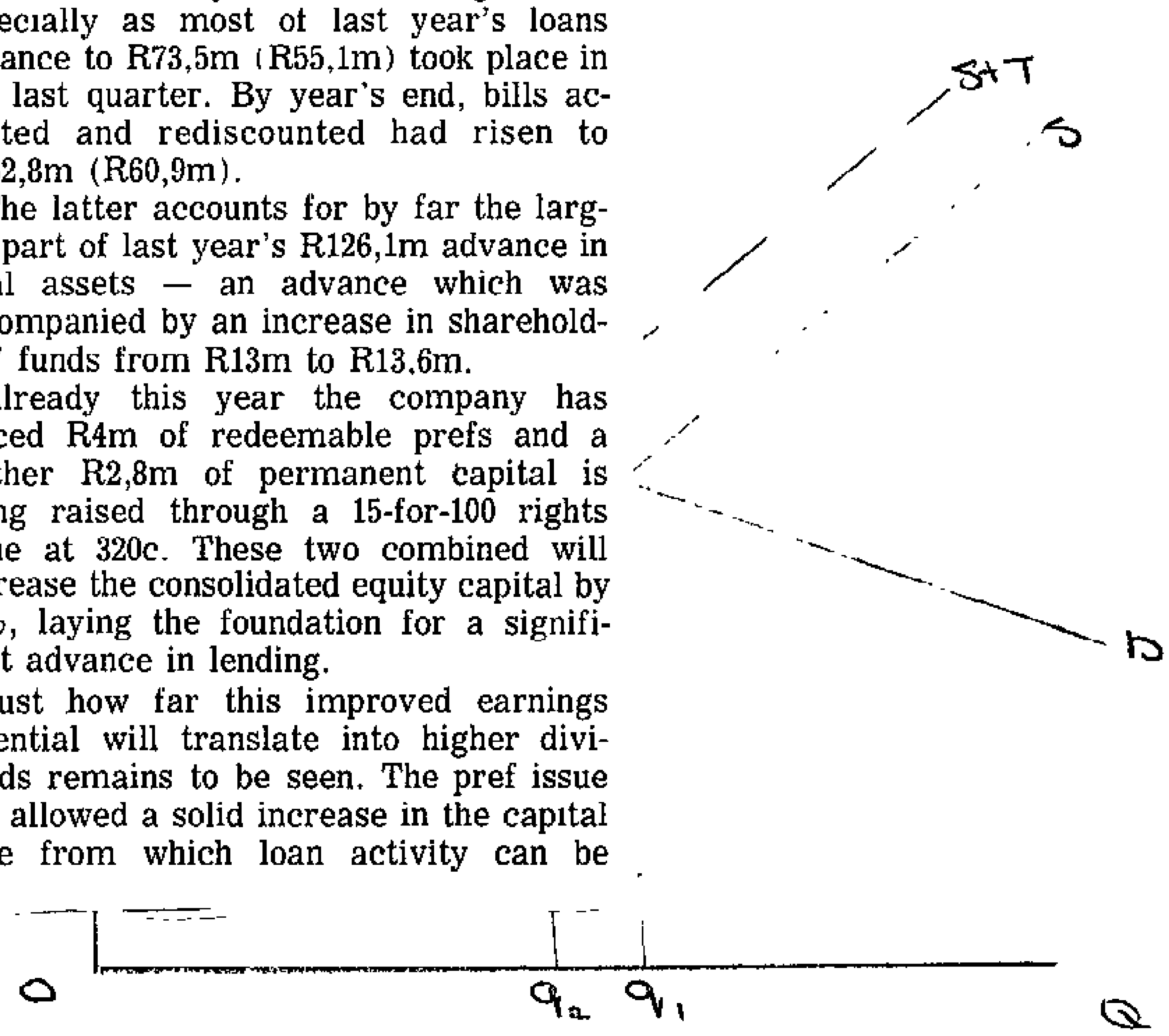
The latter accounts for by far the largest part of last year's R126,1m advance in total assets — an advance which was accompanied by an increase in shareholders' funds from R13m to R13,6m.

Already this year the company has placed R4m of redeemable prefs and a further R2,8m of permanent capital is being raised through a 15-for-100 rights issue at 320c. These two combined will increase the consolidated equity capital by 50%, laying the foundation for a significant advance in lending.

Just how far this improved earnings potential will translate into higher dividends remains to be seen. The pref issue has allowed a solid increase in the capital base from which loan activity can be quickly increased. But prefs will eventually have to be redeemed from distributable reserves, so if management foresees a steady advance in lending activities well beyond this year, it may well be necessary to further increase permanent capital by higher retentions and cover. Expected earnings on the increased ordinary share capital have not been quantified, but even after servicing the prefs, an earnings advance to 45c should be possible on the increased capital and a 30c is within reach.

At 365c the share yields a generous prospective 8,2% pointing to further price growth once the rights issue is completed.

Jim Jones



The orginal equilibrium is at p_1 q_1 and if govt imposes a tax the equilibrium price would increase to p_2 and equilibrium quantity decrease to q_2. whether the price elasticity is elastic or inelastic will not make much difference to the amount the govt will receive but it will make a difference to the consumers and producers.

eg. total revenue received = $Op^2 a q_2$

" " producer = $Op_3 b q_2$

" " Govt = $p_2 a b p_3$.

20/6/80

OIL (58) FM 20/6/80

Spreading operations

Activities: *Industrial holding company with interests in fishing, both local and overseas, property, township development and home building. Premier Milling holds 50% of equity of the holding company.*
Chairman: *A D P Ovenstone.*

OIL's Ovenstone . . . foreign fish will help

Capital structure: *49,3m ordinaries of 12,5c; 204 500 8% cum prefs of R1; 1,4m 8,1% red cum prefs of R1; 2,6m 8,5% part conv red cum prefs of R1; 2m 10% cum prefs of R1; 4,4m 11% conv red cum prefs of R1. Market capitalisation: R19,2m.*
Financial: *Year to February 29 1980. Borrowings: long- and medium-term, R17m; net short-term, R7m. Debt: equity ratio: 70,5%. Current ratio: 1,8. Group cash flow: 3,9m. Capital commitments: R3,2m.*
Share market: *Price: 39c (1979-80: high, 57c; low, 26c; trading volume last quarter, 7,3m shares). Yields: 15,6% on earnings; 7,7% on dividend. Cover: 2,0. PE ratio: 6,4.*

	'77	'78	'79	'80
Return on cap %	12,7	12,8	10,5	10,0
Turnover (Rm)	33,6	38,5	39,6	26,8
Pre-tax profit (Rm)	4,5	4,7	2,8	3,6
Gross margin %	22,4	19,0	14,6	22,5
Earnings (c)	19,8	20,3	8,7	6,1
Dividends (c)	8	6	3	3
Net asset value (c)	130	121	112	53

OIL, just as much as any of the other groups involved in the flattened SWA/Namibia fishing industry, continues to diversify from its traditional source of revenue. However, the group has some major advantages over its competitors with fishing operations extending into foreign waters. It also has a good contributor in its property division and the backing of Premier Milling.

With the rights issue last year which trebled the group's equity, overseas operations have become the focus of expansion in fishing with the full benefit of the extra investment in Chile and the Canary Islands likely to be felt this year.

In Chile, canning facilities are being expanded and freezing operations are being installed, while an interest has been acquired in a Chilean fish catching and delivery operation which should contribute to earnings this year. Chairman Andrew Ovenstone says the overseas expansion should ensure that results from the fishing side of group business should not decline this year.

At the same time, the group's Canary Islands operation was hampered by problems in a fish-processing unit last year and did not contribute materially to earnings. These problems have now been resolved, and the rate of fish delivery looks good, Ovenstone says.

Over the past year, fishing and related operations contributed 33% of group's R26,8m turnover (1979 21% and R39,6m). On an operating margin of 31% (23%), this division provided 78% of pre-tax profit of R3,6m (68% and R2,8m). Property and construction, on the other hand provided 66% of sales last year against 78% the year before and on an operating margin of 3,8% (2,5%), was responsible for only 19% of pre-tax profits (27%).

However, Ovenstone tells the *FM* that under current conditions it is certain that

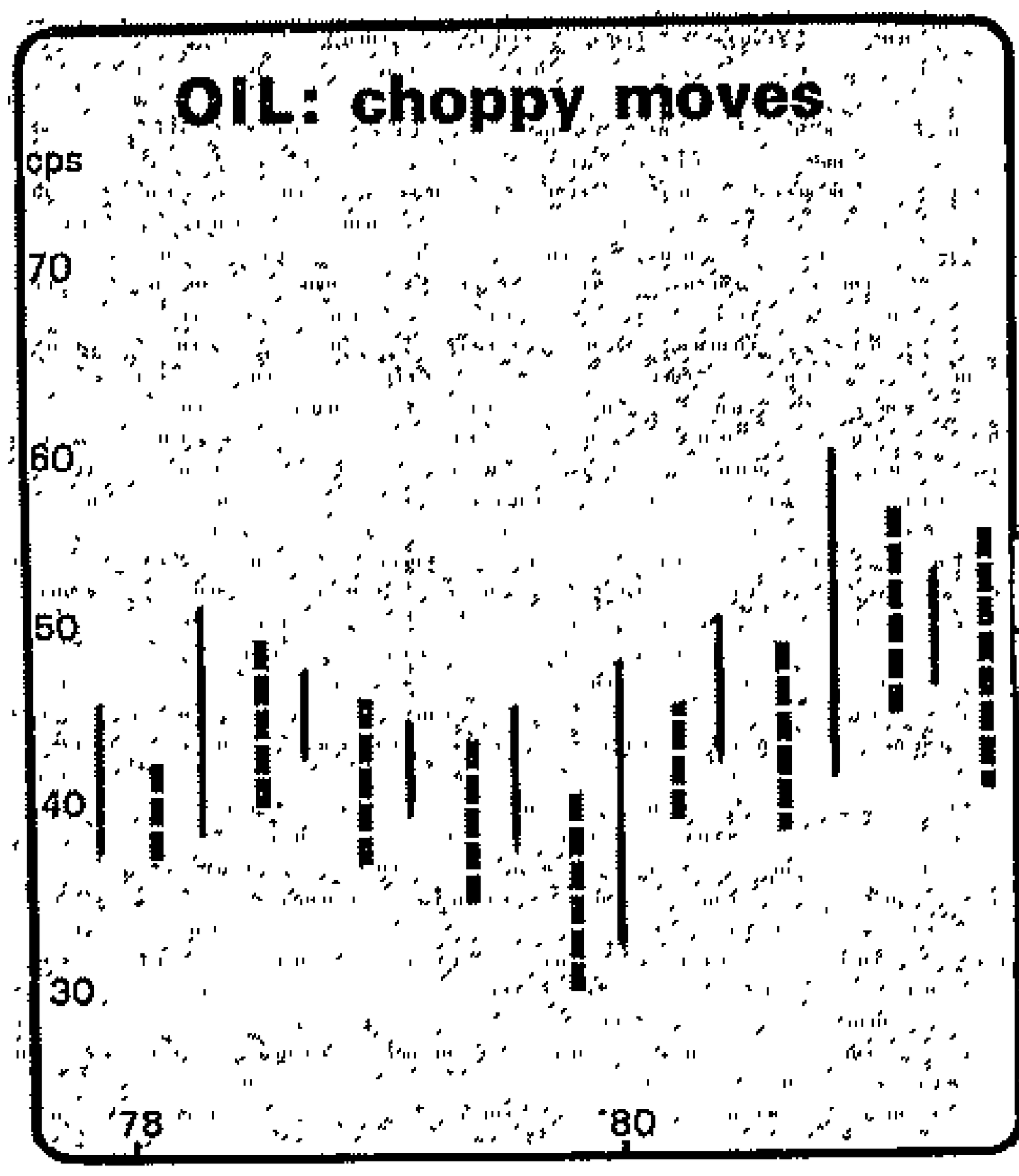
cont

non-fishing operations will expand and the contribution from property interests will move towards 40% of pre-tax profit. He adds that the figures in the accounts are distorted by the fact that overseas fishing companies' sales are not consolidated, but are included only at the after-tax profit level.

OIL's property interests are mainly concentrated in rental producing projects, and the conversion of blocks of flats into sectional title units has been a particularly active area. The investment in non-revenue producing properties is being reduced fairly rapidly and the group is at present finalising the sale of Ciskei properties to the SA Development Trust.

Fixed property holdings have fallen and the group holds three development projects at various degrees of completion. One of them is the conversion of Shell House in Greenmarket Square in Cape Town into a 172-room hotel, which the company believes will do well.

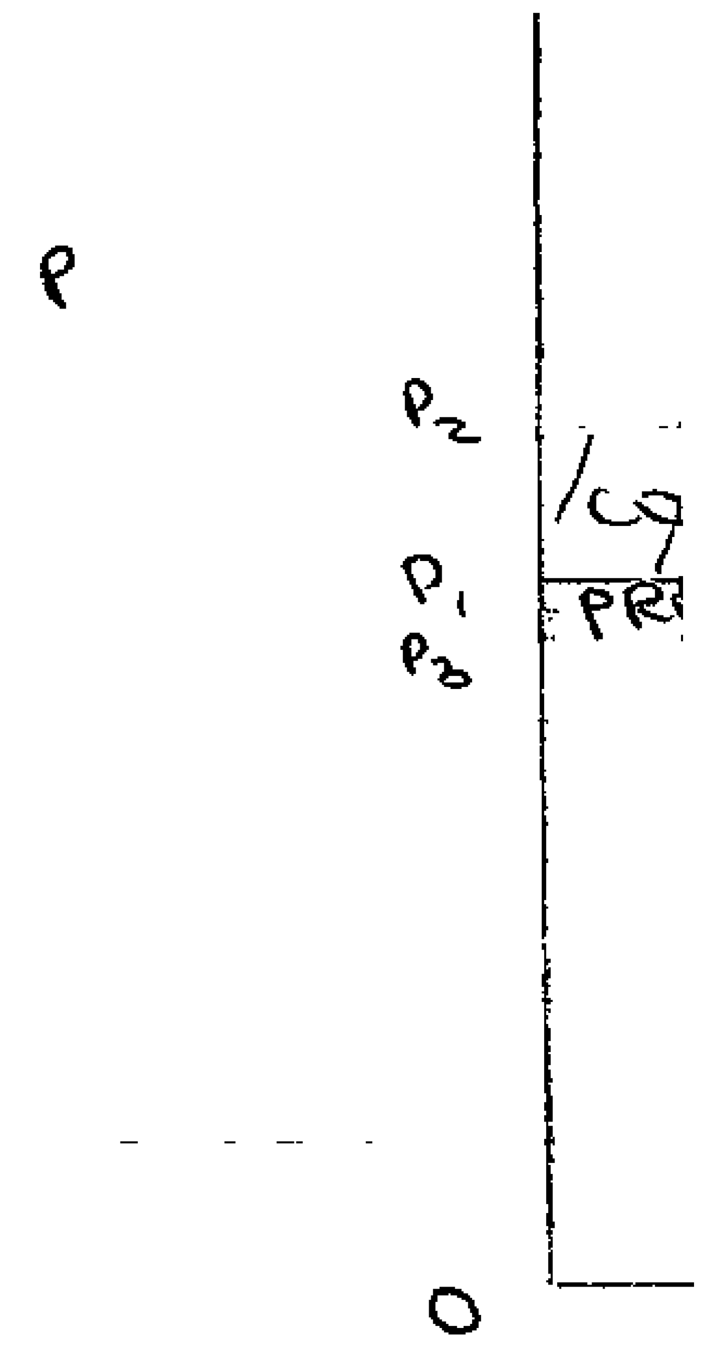
On the housing sales side, says Ovenstone, margins are improving and prospects are better than they have been for some time, having been somewhat disappointing last year. Earnings should improve.



The group, says Ovenstone, is not in a hurry to diversify further, although more acquisitions are probably essential in the medium term. Financing of further expansion, now the rights issue funds of last year have been largely invested, could come from any source, he says, depending on the nature and size of the project. But he points out that as fixed assets, particularly in non-rental property holdings and township interests are sold off, so cash will be released for new operations.

Operations since the year-end, says Ovenstone, have been "quite pleasing," and he forecasts earnings "at a higher level." Whether the group can finance the greatly increased share capital to the extent of hiking last year's 3c dividend remains to be seen, though the prospects look fairly good. With an historic yield of 7,7%, and a prospective yield approaching 10%, the share's future growth potential does not yet appear to have been fully discounted by the market.

Scott Hawker



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DUNDEE FM 20/6/80 (58)

Steady progress

Activities: *Investment holding company with subsidiaries in the engineering sector including Tabak (office furniture) and Raco (high precision metal pressings). The group also has property and coal interests.*
Chairman: *A C Heber-Percy; managing director: G C H Gard.*
Capital structure: *1,5m ordinaries of 50c. Market capitalisation: R5m.*
Financial: *Year to February 29 1980. Borrowings: long- and medium-term, R489 000; net short-term, R1m. Debt: equity ratio: 52,1%. Current ratio: 1,4. Net cash flow: R1,5m. Capital commitments: Nil.*
Share market: *Price: 335c (1979-80: high, 345c; low, 185c; trading volume last quarter, 300 000 shares). Yields: 19,8% on earnings: 8,2% on dividend. Cover: 2,4. PE ratio: 5,1.*

	'78	'79	'80
Turnover (Rm)	2.3	8.6	12.3
Pre-tax profit (R'000s)	173	763	1 151
Gross margin %	8,2	10,1	10,6
Earnings (c)	11	50,4	66,3
Dividends (c)	5	20	27,5
Net asset value (c)	90	166	197

The earnings acceleration since the group's revamp in 1978 has been substantial, and further good growth could still be in the pipeline as subsidiaries take advantage of the economic upswing.

Group companies involved in car accessories and spares should benefit particularly well as car sales take off In this area, Dundee has three operations: Dunair, which manufactures car air-conditioners, Hi-Fi Car Radio, and Jaqmar, which supplies a range of engine parts and tools. The first two showed disappointing performances last year but should now be set to make significantly improved contribution. Jaqmar has been re-organised and there should be further progress in earnings growth.

Group subsidiary Raco, which makes high precision metal pressings, is also set for improved productivity this year after management changes, and both Raco and Dunair are currently involved in plant expansion programmes.

Tabak, the group's acquisition from last year, should show an improved earnings picture this year after being consolidated for a full 12 months. The company, which manufactures office equipment and furniture, was acquired last July for R750 000 and produced "excellent" results in the eight-month period, according to the directors.

The group also holds a coal dump which is valued at R480 000, based on a contracted minimum monthly take-off of 10 000 t for 32 months at R1,50/t. The dump was carried in the books at a minimal value in 1976 and has apparently proved, with escalating oil prices, a boon to the group. Last year it contributed R294 000 to pre-tax profit compared with R72 000 the previous year.

The engineering divisions contributed R916 000 to pre-tax earnings, against R691 000 the previous year. The group's property portfolio, however, made a R59 000 loss. It did not contribute the previous year and the directors indicate that, as this division does not strictly fall within the normal line of business, it may be sold in the medium-term.

Further expansion will be based largely on new acquisitions. The directors indicate that they are actively seeking new purchases and anticipate some action in this area early in the current year. At the same time, it must be assumed that their sights are being set at companies costing around the R1m mark. Financing further expansion could be a problem because of a fairly weak cash position, but the group is obviously not averse to increasing its share capital, as indicated by last year's rights issue to acquire Tabak.

With activity in the group's operational areas picking up fairly swiftly at present, there is scope for an earnings increase to about 80c this year; and a possible payout of 35c.

Scott Hawker

FM 20/6/80 (58)

OTIS

Same old story

Otis' earlier image as a growth company is slowly fading. And no doubt payment of yet another dividend greater than current earnings will raise a wilder squawk from ultra-nationalists.

In the face of the current construction upswing, the company's performance in the six months to end-May looks mediocre. Chairman Phillip Sceales stresses that because elevator installation is one of the final items in the construction of a building, the enquiries currently being received will only be translated into profits in about two years. Nevertheless, the policy of paying a dividend higher than earnings will almost certainly be maintained in the current year regardless of static profits.

Last year, lower profit figures reversed the earlier upward earnings trend. And based on interim results now reported, the current year promises little improvement.

Cont

SECTION B

QUESTION 4 (c)

An absolute absolute ... about

terms of output. If ... X and Y then B ' the A has

an absolute advantage ...

Comparative advanta... might have over someone else in

that it pays him ... field and for you to specialise

in your best field ... better than you in both fields.

for instance if Y a d... his secretary & still pays

him to pa practic... a secretary.

ii) Country A AA · ca a prod... 110 units of Y with given resources

Country B ca a prod... 95 units of Y with given resources

Country A has a... both X and Y. However it

will pay A to spec... to let B specialise in

production X – B ha... over A with respect to X.

Comparative advanta... in which all trade is

conducted, because ... to specialise in one commodity

and to export it ... and to export the

commodity (forgone ... ity) at the relatively

cheaper price.

Just as it will ... the commodity for which it

has a comparative ... at relatively higher price

than on the local ..., import the other commodity

This is therefore the ... trade.

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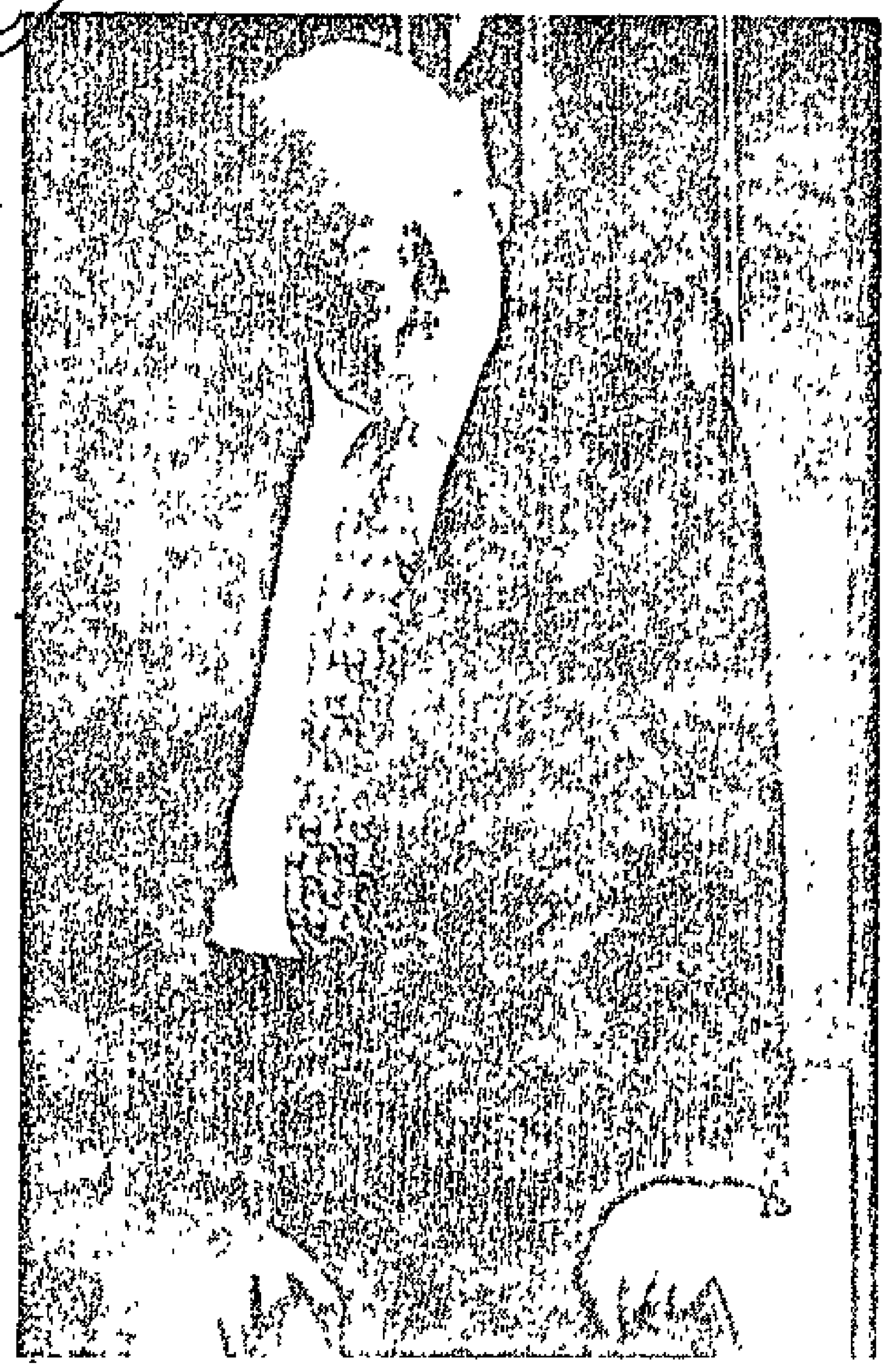

Phillip Sceales ... presiding over a pay-out

Pre-tax profit rose marginally to R3,9m (R3,8m) resulting in earnings of 13,3c (12,7c). The low value of the present lift installation contracts will continue to have a dampening effect on profits for the rest of this fiscal year and most of next.

More disturbing than the profit picture, however, is the failure of the group to build up sufficient reserves to cushion it during this period. So with the interim absorbing R3,4m compared with available earnings of R2,23m, the end May balance sheet will have shown net current liabilities of about R1m. Most likely this will be reflected as a reduction in accounts receivable and cash balances. There is unlikely to have been a significant reduction in either creditors or tax payable, meaning the company still retains sufficient cash to pay a final greater than second-half earnings.

If an unchanged 20c final is paid and earnings stagnate, an even worse current liabilities position is in sight for year's end. This, obviously, cannot continue, especially as end-1979 distributable reserves of R2,98m put a limit on what can be distributed in excess of current earnings. In any event, local borrowing ability is constrained by the 70% US ownership.

In addition, any realistic diversification plans have been scotched, though whether from lack of a suitable investment or from lack of funds remains unclear. Future earnings will thus remain linked to the fluctuations of the construction industry.

At 285c the share offers a prospective yield of 14% on a total 40c payout. Earnings are unlikely to be significantly higher than 29c at year-end, and indications are that the share has limited room for growth in the short-term.

20/6/80 (58)

X1

BUILDING SOCIETIES

FM 20/6/80 (58)

Matching the banks

Last Friday's recommendation by the Association of Building Societies to increase deposit rates on term deposits came as something of a surprise following so soon after February's mortgage rate cuts. The societies explain this latest increase as a move designed to preserve their competitiveness against the banks.

The societies' fixed deposit rates have been lower than equivalent returns offered by most banks (on 36-month term deposits by 1,5%). This, they claim, resulted in a flow of funds to the banks and represented money they could not afford to lose at a time of surging demand for home finance. As the Association's director David Alston comments: "We do feel we must meet the competition on offer. This means we must match their rates."

But the societies' drive for more money has met with resistance from the banks. The societies' decision to increase rates on 12- to 17-month deposits to 0,5% above those obtainable from banks on similar deposits was matched within hours when the banks retaliated.

This exercise in rate-raising illustrates the competition between the banks and societies to obtain term deposits. Investors are becoming increasingly more rate conscious, according to a number of bankers and society spokesmen It is evident that much of the economy's excess liquidity is flowing into call deposits as investors await a possible hardening of rates across the board, which would boost their fixed-deposit yields.

Some observers believe that the keener competition among deposit-receiving institutions for medium and longer-term deposits could be heralding the turnabout in interest rates. Association of General Banks president Ken Gager says that while banks' rates on 36 month deposits are unlikely to be raised above 9% immediately, the banks are monitoring the situation closely for any slackening in the intake of such money.

The deposit rates rise will obviously reduce the societies' operating margins, which insiders claim are considerably more slender than the "handsome gains" notched up by the banks. Indeed, certain societies were opposed to the rate increases — a move which was apparently led by United — because they would have preferred to have maintained operating margins at present levels. But, as Alston points out, consensus prevailed that at this stage it was more important "to meet competition and preserve the client base."

The latest deposit rate increase portends a possible rise in mortgage rates later this year, particularly if societies' operating margins deteriorate significantly. But if the inflow continues on savings and indefinite period shares, in which the bulk of societies' deposit funds are placed and which have not been affected by the upward adjustment to rates, mortgage rates may be held at present levels.

In retrospect some analysts hold that mortgage rates should not have been lowered in February, thereby encouraging demand for home finance and adding to the momentum of soaring property prices. But this argument gets short thrift from United's joint MD, Piet Badenhorst. The societies' main function is to provide the best possible return for depositors and the lowest possible rate of interest for home borrowers, he maintains. Adds Badenhorst: "It is not our job to regulate the property market. We are there to provide finance for home ownership."

Quite so. But in that case it is difficult to understand why the societies took so long to reduce the mortgage rate when their coffers were full and overflowing.

Building societies' David Alston . . . luring back the depositors

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(58) Fm 20/6/80

Limited

Chairman's Statement

but it would be misleading to say that our task is easy or will soon be completed. The formation of Trade Unions among Black workers in several of the Group's divisions has started and this process can be expected to continue in the year ahead.

Group Financial Goals and Objectives

Considerable expansion has taken place during the last year and the financial strength of the Group has improved. The projections of activity over the planning horizon to 1983 indicate moreover a further strengthening and a continuing ability to maintain a high rate of growth. Inevitably there will be some fluctuations in the rate of growth from year to year, but the firm objective of maintaining an average growth rate in earnings per share of 25% per annum over the current planning period has been accepted.

Our recent acquisitions and expansions have not resulted in the violation of our objective limit for interest bearing debt, which remains at 33% of total capital employed. Shareholders' funds were, however, expanded during the year by the private placings of 3 million 'A' cumulative preference shares at a price of R1 each. A further R9,5 million of these shares will be placed privately during the current financial year.

I am pleased to be able to report that satisfactory progress has been achieved in terms of our on-going programme to improve returns on assets. During the year the major portion of our fixed assets were revalued, and of course our returns on these enhanced values can be expected to be somewhat lower than would otherwise be the case. Our efforts will continue to be directed towards further improvement.

Future Prospects

1979/80 was an excellent year for many companies in South Africa, with a general air of confidence and buoyancy arising from the gradually increasing tempo of business activity and the financial strength of the economy. Buoyant conditions are generally expected to continue and indeed improve throughout the 1980/81 year, but sight should not be lost of the unfavourable political and economic conditions in the world generally and it would be unwise to assume that South Africa can remain insulated from world conditions.

The Group nevertheless is well placed to take advantage of prevailing opportunities and continues to be alert to threats and changes which may affect it. In the Directors' Report a number of new appointments are recorded, and I am pleased to report that we have a strong and dedicated management team who, I am confident, will be able to handle the challenges brought about by our acquisition of Hebox and H. Lewis.

Prospects for the year ahead are encouraging subject only to the debilitating effect of the drought on the results of the Sugar Division. The Group is aiming to achieve earnings of approximately 100 cents per share this year.

In conclusion, I would like to express my sincere appreciation and thanks to my colleagues on the Board and all employees for their efforts and devotion to the affairs of the Group during this past year.

C.J. SAUNDERS, Chairman
Maidstone, Natal
23rd May 1980

Comparative Highlights	1980	1979	1978
Turnover (R000)	308 036	230 990	160 061
Consolidated Profit after Taxation (R000)	16 961	12 567	10 760
Earnings per Ordinary Share (Cents)	80,1	60,7	52,2
Dividends per Ordinary Share (Cents)	30,0	23,2	20,0
Total Assets (R000)	360 559*	277 509	207 004
Ordinary Shares Issued (000)	21 211	20 936	16 331
Book Value per Share (Cents)	926*	643	594
Number of Employees	23 155	21 545	16 716

* Assets revalued 1980

Cont

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The Tongaat Group

TONGAAT

Mr C.J. Saunders, Chairman.

Review of the 1979/80 Year

It is with pleasure that I am able to report that our sales, profits and earnings per share are again at record levels. At 80,1 cents per share, our earnings are 32,0% higher than last year, and it is particularly gratifying to note that improvement occurred in most divisions.

Apart from the achievement of record financial results, the year was also one of expansion and growth for the Group. Important acquisitions were made in several divisions, whilst other divisions embarked on expansion plans aimed at improving efficiencies and increasing capacities. The profit enhancement which might be expected from these developments has not yet been felt by the Group, and our record performance reflected in these accounts is not as a result of such growth. The benefits from our expansion and acquisitions should start being felt in the 1980/81 year and be fully effective thereafter.

The results of the Sugar Division were again highly commendable. The tonnage of sugar produced was an all time record, and there was a further slight increase in the Group's share of the Industry due to the Melville acquisition last year and further development in the Ndwedwe area.

It is ironic that with the world sugar market now recovering strongly, the South African Sugar Industry should be facing one of its worst droughts on record, and accordingly is unable to benefit from the higher prices prevailing. Although our own growing areas have not suffered as badly as some, it is nevertheless inevitable that in the current year there will be a material reduction in the contribution of the Sugar Division.

The Building Materials Division experienced a strong upsurge in demand during the latter half of the year and this, together with the improved efficiencies and rationalisation benefits arising from the merger of Primrose and Corogroup, has resulted in an excellent profit contribution. Demand is still increasing and major expansions of facilities, including the recent acquisition of the Port Elizabeth Brick Co. Ltd., are being undertaken in all provinces to enable the Division to meet this demand. As a result of this continuing upsurge, even better results are expected in the current year, and from the overall Group's point of view the differing cycles in the building and sugar industries is thus once again proving the advantages of diversification.

It is particularly pleasing to report the improved results of the Textiles Division, since these results do not as yet reflect any benefits from the major expansion being undertaken at Tongaat. Demand is at a high level and the timeous completion of the expansion project should lead to substantially increased profits in the current year. Prilla Mills, which was acquired in 1977, is now operating at near capacity and is achieving the expected levels of profitability.

The acquisition of Hebox Textiles Limited will be of immediate benefit to the Division. There is significant scope for rationalisation of the product range and services and further benefits will arise during the future years as Hebox and Whiteheads become more closely integrated.

The improved results of the Foods and Feeds Division were largely attributable to successful export endeavours and a reduction in the losses sustained by the Poultry and Pie operations. Unfortunately, conditions in the export markets are such that the same level of success is not expected during the current year. The acquisition of H. Lewis & Company will have a major effect on both turnover and profitability. The strategic aspect of this acquisition that is most significant is the fact that Lewis will make the Feeds Division more self reliant in protein supplies. Hitherto the Division has been vulnerable to wide price fluctuations and possible non-availability of these essential ingredients.

The Mushrooms operation again returned good results and production capacity is being expanded throughout the country to meet the increasing demand for mushrooms. The activities of the Division have been extended through the recent acquisition of the Deodar Asparagus Farm near Krugersdorp, Transvaal.

The Electrical Engineering and Electronics Division did not have a good year. Activity remained at a low level in the ship repair and electrical engineering fields and despite an increase in the level of activity in some areas, losses were sustained. The two-way radio communication business of United Electronics Corporation was sold during the year and two small companies were acquired — Specialist Offshore Surveys in the Cape and S.A. Electric Motor Manufacturing Company in the Transvaal. This latter acquisition will act as a vehicle for the expansion of the Division's Ayrodev repair process into the Transvaal.

Manpower

The development of the full potential of South Africa is dependent upon the social and political stability and progress of its people. A fair measure of the responsibility for social progress at least lies on the shoulders of employers. This responsibility has long been accepted by the Group and its commitment to a Manpower Philosophy laid down many years ago was reconfirmed. Acceptance of a philosophy and its implementation are two different things, but considerable progress has been made, especially in regard to remuneration. The Paterson job evaluation system has been implemented in most divisions and will result in a non-discriminatory remuneration structure throughout all employee grades. Much work remains to be done in all areas particularly in regard to training, job advancement and development, F m 20/6/80

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Blue Circle Limited

Cement and allied products | Engineering supplies | Heavy equipment | Contracting | Other subsidiaries

INTERIM REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED 31 MAY 1980 AND DECLARATION OF DIVIDEND

RESULTS

The consolidated results of the Group for the six months ended 31 May 1980, together with the results for the same period last year and year ended 30 November 1979, are given below.

	Six months to 31.5.80 (unaudited) R'000	Six months to 31.5.79 (unaudited) R'000	Year to 30.11.79 (audited) R'000
Profit before Taxation	7 841	4 007	16 221
Taxation	3 060	1 615	6 227
	4 781	2 392	9 994
Minority shareholders' interest	41	79	351
Group profit after taxation	4 740	2 313	9 643
Non-trading items (not included above)	—	—	70
Number of ordinary shares on which earnings per share are based	21 017 372	21 017 372	21 017 372
Earnings per share (excluding non-trading items)	22,6c	11,0c	45,9c
Dividends per share	9,0c	6,5c	21,0c

REVIEW

The above results show a 105% increase in Group profit after taxation from R2 313 000 to R4 740 000 for the six months to 31 May 1980. However, the rate of increase over the final six months will be materially lower, but Group profit for the full year will be significantly higher than for 1979.

It is expected that higher sales volumes and satisfactory trading conditions will continue, resulting in improved performances in all divisions, other than mechanical contracting; as a result of claims and rectification costs arising from past contracts, this division is expected to end the year with a small loss.

DIVIDEND NO. 63

The Board has declared a dividend of 9,0 cents (1979 — 6,5 cents) per share, which will be paid to members registered on 4 July 1980. Non-resident shareholders' tax will, where applicable, be deducted from dividends. The transfer books and the register of members will be closed from 5 to 11 July 1980, both days inclusive. Dividend warrants will be posted on or about 6 August 1980.

On behalf of the Board

J. E. Henderson
T. G. Coulson
Directors

17 June 1980

Registered office:
Blue Circle House, 5 Keyes Avenue, Rosebank, Johannesburg, 2196.

Transfer Secretaries:
Union Corporation Limited, 74/78 Marshall Street, Johannesburg, 2001.

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THE FEDERALE GROUP

FM 20/6/80

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FEDERALE VOLKSBELEGGINGS BEPERK

PROFIT ANNOUNCEMENT AND DIVIDEND DECLARATION

FOR THE YEAR ENDED MARCH 31, 1980

PROFIT ANNOUNCEMENT

The consolidated results for the financial year to March 31, 1980 are as follows.

As the previous financial period extended over 15 months, the comparative figures for that period have been recalculated on a 12 month basis.

	1980 R'000	1979 R'000	Increase %
Turnover	729 578	454 981	60,4
Net income after tax attributable to ordinary shareholders	16 050	9 186	74,7
Earnings per share (cents)	66,0	38,7	70,5
Dividend per share (cents)	22,0	16,8	31,0
Total shareholders' interest	266 283	170 579	56,1
Total assets	578 699	415 448	39,3
Net asset value (cents)	811	563	44,0
Financial ratio (%)	46,0	41,1	11,9

The satisfactory increases which have been achieved, both in respect of earnings and dividend per share, can be attributed to the excellent results achieved by the majority of companies within the Federale Group. Should the present favourable business climate continue for the rest of this year, your directors expect that Federale will also achieve good results in the current year.

DIVIDEND DECLARATION

A final dividend of 14,0 cents per ordinary share has been declared in respect of the six months ended March 31, 1980, payable to shareholders registered in the books of the company on July 4, 1980. This brings the total ordinary dividends declared in respect of the financial year ended March 31, 1980 to 22,0 cents per share.

Dividend cheques will be posted to shareholders on July 21, 1980.

Non-resident shareholders' tax at the rate of 15% will be deducted from dividends where applicable.

For and on behalf of the board of directors.

P.E. ROUSSEAU
CHAIRMAN

C.J.F. HUMAN
VICE-CHAIRMAN

June 16, 1980

Registered Office
2715 Sanlamsentrum
Jeppe Street
JOHANNESBURG
2001

Transfer Secretaries
Central Registrars Limited
28 Harrison Street
JOHANNESBURG
2001

DIRECTORS: P.E. Rousseau (Chairman), C.J.F. Human (Vice-chairman and Managing), W.B. Coetzer, W.J. de Villiers, S.A. Hofmeyr, F.J.H le Riche, I.J. Moolman, S.J. Naudé, W.S. Pretorius, J.H. Smit, F.J. van Zyl, A.D. Wassenaar.

de Villiers & Co. 7334

COLIN CAMPBELL on the company scene

22/6/80 SUN TRIB

JSE is still alive and well

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THERE was much good hard company news to chew over this week which helped to keep the Johannesburg Stock Exchange alive and well against a background of unrest in the Cape.

One of the highlights was the detail of the Pickard-Kanhym food reshuffle.

Kanhym has long been regarded as a "good" investment, not only for its own food interests but also because of its coal interests. And now that its position has been further entrenched and because its earnings outlook is thus enhanced the outlook remains very positive.

Asokor becomes an interesting share because its assets will now consist of a 38 percent stake in Karoo plus around R15 million in cash. Kanhym plans a rights issue, which will be underwritten by parent General Mining and the Kahn family will follow through their rights. The money raised, around R22 million via a one-for-two issue at 700 cents, will not only accommodate this week's deal but also leave it with sufficient funds for exploit further its coal interests.

Another deal of interest was Isaac Kaye's bid for Gaydon Southern Holdings who, as head of a consortium together with Peter Goldberg, will purchase Burham Oil South Africa's 89 percent stake in Gaydon. Gaydon will sell its stake in Quinton Hazell, and Gaydon shareholders will have the right to take up Quinton shares. After the deal Gaydon will have net assets of around R2,5 milliion, or 41,4 cents a share, in cash.

The consortium wants to retain the JSE listing for Gaydon — so bearing in mind that Isaac Kaye (the man behind SA Druggists and one of the parties that took over Greatermans) has some magic then Gaydon should be in for some interesting times.

Premier Milling, as was known in the market place, emerged as the bidder for control of Gallo Africa and is offering 265 cents a share. Premier only wants sufficient of Gallo to consolidate, but is already assured of 55 percent, and will land up with around 66 percent of Gallo's increased capital.

Gallo recently came in from the cold after two dreary years, and is another share which has attracted renewed investment interest.

There was a rash of news from the South African Breweries camp with the annual report of Southern Sun earlier in the week and that of parent company SAB on Friday. Southern Sun is looking for a "satisfactory" increase in earnings this year.

The outlook fundamentally is tied to the overall outlook for the economy, the continued popularity of its hotels, and the movements of both local and international tourists.

Southern Sun plans a R15 million debenture issue to help fund its various expansion plans, but remains committed to a 70 percent distribution policy. So as earnings growth is virtually assured this year, so dividends should also rise.

Parent SAB says that the outlook for real growth in the economy is the brightest it has been for many years, in each of its divisions there is a "mood of confidence and optimism".

So there is another company which is able to predict earnings and dividend growth this year.

Barlow Rand was listed on the Frankfurt Stock Exchange for the first time on Thursday, and traded at around DM15. In his address chairman Mike Rosholt again underlined boardroom hopes to progress in the year ahead, and pointed out that Barlows had consistently grown at a faster rate than the country.

Friday saw the market saying goodbye to Pit which was traded for the last time now that the mines pension funds has bought out the shares at 314,5 cents a share. While earlier in the week investment trust Fugit clearly demonstrated just how good the stock market has been in the six months ended June. Net asset value at June 30 is estimated at 237 cents a share against 209 cents a share at December 31, and 144 cents a share actual one year ago.

Interim earnings rose from 5,47 cents to 7,23 cents a share and the half time payment has been hoisted from 3,5 cents to 4,5 cents a share.

On the gold front Ergo issued its annual report this week in which the chairman said that Ergo needs an average of 444 dollars an ounce to maintain last year's operating profit — so with the price already in much higher ground, Ergo should easily retain its popularity and following in the market place.

The target for gold treatment has been raised for the current year, and efforts to improve technical efficiencies continue.

Two deals which fell through: Quincor's talks concerning a change of control, and Columbus Holdings proposed deal to buy Nuco (Pty) is off because pre-conditions were not met.

Columbus adds that it will however "actively pursue investigations of other possible acquisitions."

The offer to minority shareholders by Usat Trust to buy them at 32 cents a share still stands. Columbus's assets now comprise cash and secured funds totalling R510 000, equivalent to 25,5 cents a share. Chairman Peter Gain is not known to let a setback upset him, so Columbus might still be a share with which to stick.

22/6/80 SUN TRIB. (PROP) 58

Why mortgage rates must rise

COLIN VINEALL, Property Editor

THERE seems little doubt that mortgage bond rates will go up by the end of the year, forcing home-owners to pay more for their property.

Pointers to the move come from last week's decision to increase fixed deposit interest rates.

David Alston, director of the Association of Building Societies, would give no hint in an interview this week of when mortgage rates are likely to move.

But he did say that the rates are constantly under review by the member building societies of the association, and that a review was likely to occur before the end of the year.

He also agreed that it was unlikely that the mortgage rate would be reduced, leaving only one way for them to go — up.

Alston said: "Some investment rates were increased and that was to meet competition that was on offer from the general banks.

"It only affected the fixed deposit counter and the fixed period share counters. So apart from what one pays on new money being more than before, the existing counters have to run their term before one is affected by having to renew them at higher rates.

"So the effect on our profitability is not immediate, although obviously in the long term the fact that one is paying more on deposits without charging more on one's loans is going to put one in something of a profitability squeeze.

"Does this now mean that the mortgage rates are going to go up? The rate will undoubtedly have to be reviewed before the end of the year and we do keep it under constant review," said Alston.

"But it would be premature at this stage to say whether or when. There is still a tremendous amount of liquidity about in the economy, so I don't think one must look upon this situation as the turnaround point having been reached in interest rates.

"There may be such a lot of money around that it will keep up a general downward pressure on interest rates unless the authorities use open market operations to mop up the excess liquidity.

"By and large, I would say rates as a whole will still continue to move sideways for a little while, but naturally we will have to keep the mortgage rate under constant review.

"There will be a much clearer picture in the last quarter as to which way rates are going to go. I wouldn't think the authorities would want them to come down any more . . . it's a question of when they start to go up."

27/4/80 SUN TIM BT

Building societies scoop profits from money markets

58

MONEY market operations contributed more to 1979/80 profits than building society operations in the case of some societies.

By PENELOPE MORGAN

Thus, commenting on Southern Trident's annual financial statement for the year ended March 31, 1980, managing director Allan Wentzel says he believes the outstanding feature of the excellent results is "the huge profit derived from our money market operations compared to that from our building society activities."

Chairman, Mr D Morgan, reports: "Due to an inactive property market during the early part of the financial year, surplus funds were invested in gilt and semi-gilt stocks.

"Active management of this portfolio resulted in increased overall yields and profits on trading."

Mr Wentzel (ex-African Bank MD) elaborates: "Profits accrued through our money market activities amounted to R761 000 which represents the major proportion of the society's profits."

Because building society dividends are pre-determined, actual operating profit is calculated by subtracting total dividends from excess of revenue over expenditure.

In Southern Trident's case, the actual profit is R649 000.

This means that had it not been for Southern Trident's money market activities its actual profit could have been a negative figure.

The report also says that Southern Trident — ranked sixth among SA's building societies — has increased its total assets by R61,7-million to R352,8-million representing a 21,22% growth rate.

Total deposits for the year increased by R21,4-million of which R18,9-million was savings deposits and R2,3-million fixed deposits.

Despite the society's ongoing computerisation programme, due for completion by February 1981, it cut back its overhead costs by about R300 000.

Mr Wentzel comments that with its overhead structure, the society needs to be in a position to build up its business by increasing market share.

This, together with a solid determination to better the society's return on capital employed, has led to plans to open four new branches this year.

Somerset West and George in the Cape will each get a branch while two will be opened on the Witwatersrand later in the year.

Ladofca's as ugly as ever — despite the knight's call

(58)

CDM 23/6/80.

Harold Fridjhon

On Monday

IN spite of her being given beatific status by Parliament, Ladofca (not a Russian spy but the Limitations and Disclosure of Financial Charges Act) is still very much the subject of discussion in Johannesburg — and in Pretoria.

After my criticism last week of Ladofca in which I said that the R100 000 ceiling on leasing and hire-purchase transactions was far too high and that the inclusion of companies was unnecessary if the intent and purpose of the legislation was to protect the "little man" I was telephoned from Pretoria.

It was much a more-in-sorrow-than-in-anger call from an influential Authority. I was told that I did not understand the intent and purpose of the updated law.

"Ask the banks," I was told, "why they registered such strong protests about the R100 000 ceiling when the banks said during the negotiating stages before the amending Act was drafted that big borrowers never had to pay top rates of interest. The limitation of charges was designed to protect the little man."

I suggested to the Authority that there were mighty few "little men" who looked for R100 000 worth of leasing or hire purchase.

"Well," it was put to me, "there are also the farmers."

Apparently R100 000 doesn't go far these days when a farmer needs a new thresher (about R60 000) and a new tractor and a few other bits and pieces around the farm. And that farmer needs protecting. He isn't a match for the financiers who might take him for a ride.

Frankly, I don't wear that one. Farmers in a big way of business, those who need agricultural equipment worth a couple of hundred thousands, aren't the simpletons it is alleged they are.

They mightn't be shrewd businessmen — although many of them are — but they are shrewd enough to consult their bank managers, and their lawyers, and their accountants before they put pen to paper.

There is still an outdated tendency to treat farmers as if they were babes. If they were, they wouldn't be able to survive. But be that as it may.

I asked the banks what about that R100 000 ceiling in view of the Authority's comments. They agree that big borrowers who don't need the protection of Pretoria know how to negotiate rates of interest on leasing and hire-purchase deals. And by the time they have screwed the banks, the rates are usually well below statutory levels.

But, said the banks, why have controls at all?

In a free and open market place, market forces, competition and the eagerness of everyone to do business will always ensure that rates are keen. All a buyer has to do is to shop the market.

Sure, there is validity in that argument, but how many private citizens know how to shop around the market for the keenest rate? On the other hand, how many private citizens want R100 000 worth of credit? And how many banks would extend that amount of credit to any Tom, Dick and Harry? After all, no banker wants bad debts.

Pretoria has a point if it is seeking to protect people, but the bankers also have a case. They don't want controls, particularly since the Association of General Banks has drawn up a code — which has had an official nod — that has introduced ethics into an industry which did run a little wild in the past. Perhaps that's just the trouble: Ladofca is closing the stable door after the dark horses have bolted.

But to come back to the other point: why include companies if the purpose of Ladofca is protection of the little man, and it was at this juncture that the voice of Authority was most vibrant?

I was told that there are countless small businessmen, newcomers to commerce and industry, whites black and browns, who registered companies and that these companies and their inexperienced shareholders need protection and all the help they can get.

There certainly is compassion in that argument. Newcomers, and particularly the blacks and the browns, who are taking their first faltering steps in the rough-and-tumble of the business world need all the help they can get. The more multiracial the private enterprise system becomes the more hope of its enduring in this country. This point was made in the Theron Commission report.

But there is a wide margin between giving help and cosseting and swaddling the newcomers. If they are not taught how to run business and how to take part in a competitive society they will never acquire the experience which they need if they are to stand up and compete. In any case, most banks today have a positive attitude towards teaching the unlettered and helping them get on.

I'm not suggesting for one moment that all the bankers in the business wear haloes instead of black hats and that they are more interested in handing out crutches instead of debit notes. They're nothing of the kind; they are as hardhearted and as tough as they have ever been. They've got to be if they are to survive. But they are practical businessmen who take only the calculated risk, which means that they need more than a 51% chance before they put out their money.

But by the same token I do believe that, with the best motives in the world, the authorities in Pretoria are inclined to be overprotective and that in the long run this attitude does more harm than good for the free enterprise system. One must ask, as attractive as she might appear in the eyes of the authorities, do we really need Ladofca?

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Radical socialism tag for pension fund proposals

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RDM 23/6/88

SOUTH AFRICA'S largest pension fund administrator, African Pension Trustees, has attacked aspects of the White Paper on pension funds as smacking of radical socialism, and likely to damage the viability of many pension funds.

The White Paper has been submitted by an inter-departmental committee of inquiry into specific pension matters.

APT's managing director, Mr Fiachra O'Hanrahan, says the provisions go far beyond any provisions of similar nature in the Western world. He calls for full consultation on the report before implementation.

The report has far-reaching provisions, including the compulsory preservation of pension funds.

Mr O'Hanrahan criticises:

- The unrealistic discounting of values of preserved pensions.
- Dilution of protection of members' funds from creditors.
- The fact that the legislation is likely to lead to mass withdrawals of funds before it can be introduced.
- Changes to commutation regulations, which will affect existing pension funds, particularly those near retirement.

Mr O'Hanrahan finds himself in agreement with the basic principles and aims of the report, including the intention of placing pension funds on an adequately funded basis.

The capitalisation provisions of the report concern Mr O'Hanrahan the most.

Essentially this provision means pension schemes will have to continue to accept liability for members to retirement date even after they have left the fund.

In the instance of final salary type funds (the most common), this discounting factor is only 3% a year from the retirement date to the date on which the member left.

Mr O'Hanrahan believes this is completely unrealistic. "It is an obvious attempt to compensate for inflationary increases in salary in the future, but it imposes an unacceptable onus on employers to provide benefits for employees who are not working for them."

This provision is in effect radical socialism.

He attacks the method "but not the concept" of placing pension funds on an adequately strong financial footing. In terms of the White Paper provisions, a suitable norm should be established for such funding. However, as proposed, says Mr O'Hanrahan, there will be enormous cost involved — cost that will be borne by funds and ultimately employers.

Mr O'Hanrahan's main message in reacting to the committee's recommendations is that the pension fund industry cannot afford them in their present form. Existing funds will be placed in jeopardy, and the formation of funds will be discouraged.

Huge rise in banks' HP lending

(58) RDM 23/6/80

By HAROLD FRIDJHON

MORE than R700-million was pumped into the economy in the 12 months to March for hire-purchase and leasing transactions by the hire-purchase, savings and general banks, according to figures in the Reserve Bank Quarterly Bulletin.

Hire-purchase loans rose 44% from R1 238-million to R1 783-million at the end of March 1980 and "merchandise leases" increased from R975-million to R1 178-million — 20% up.

These advances by the general banks undoubtedly made a big contribution to the big boost in the sale of motor vehicles and to the sharp upturn in the demand for other consumer durables.

The general banks have been falling over one another in their offers of loans to the public. They have not only been advertising the availability of funds but they have been competing in the speed of their service to provide the money with which to conclude deals.

Many of the general banks are controlled by the commercial banks which have been funnelling money into their subsidiaries because the demand for overdrafts and other commercial loans has been sluggish. In the year to March total advances by the commercial banks rose by only 13% to R5 813-million.

This is really a slow growth rate at a time when the economy has progressively gathered momentum. One would have expected that the demand for funds would have been stronger.

On the other hand, the freedom of the banks to lend has been constricted by the ceilings imposed by the Reserve Bank. This might have had a retarding influence on banks' decisions. But, probably, a bigger restraining influence has been bank rate which has pegged the overdraft rate at a time when short-term rates have been falling steadily

The Reserve Bank has held its rate at 7% since the middle of August. This means that the prime overdraft rate of the commercial banks is 9½% — and there are few borrowers who qualify for the prime rate.

The result of these out-of-line rates is that there has been a tremendous amount of off-balance sheet financing which is not thrown up in the official statistics. For a small fee, banks are endorsing a wad of commercial paper stretching from trade bills to out-and-out IOUs which enable good names to borrow well below the official rates.

Some indication of the increase in "cheap" lending is the spurt in acceptance credits granted by the merchant banks. At the end of March acceptances stood at R1 346-million compared with R914-million a year previously. This is a 32% increase in a facility which, technically speaking, is not entirely off-balance sheet, but it does give some idea of the demand for credit.

And yet this huge expansion of credit, on balance sheet and off, does not appear to be making a significant impression in the flood of liquidity in the economy. In the year to March the commercial banks' total liabilities to the public rose by 20,7% from R10 000-million to R12 197-million compared with a growth of 12% in the previous year. And this is the tip of the iceberg because bank deposits are only one of many outlets for cash.

What these figures really mean is that so far demand for new investment in fixed assets and stock has not yet built up to the force which is necessary for the next stage of economic development.

RAND DAILY MAIL, Tuesday, June 24, 1980

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RDM 24/6/80

Societies could be facing a shocker

Howard Preece — **Economic Spotlight**

A BIG shake-up may face the building societies next year. That could have important consequences for home loan mortgage rates.

The second report of the De Kock Commission, expected around the end of this year, will make far-reaching policy recommendations on the whole nature of monetary and interest rate policies in South Africa.

It is certain to follow the philosophy of the first report, on exchange rate policy, and urge the Government to move closer to a free market framework.

Of course, the words may mean more than the deeds. South Africa is now basically operating a policy of "variable dollar pegging" for the rand — an approach specifically rejected by De Kock.

Still, a little market light has crept into some previously dark places.

And there is (as I tried to argue last week) more merit in the Reserve Bank's caution than is sometimes supposed.

But if the second De Kock report is to have any major practical impact it must surely lead to a radical change in interest rate policy.

Logically, that should involve — eventually anyway — making the Government pay market rates to raise capital and turning the building societies adrift to fend for themselves in the general market place.

This, in turn, could mean some unpleasant shocks for home-owners and would-be owners.

The past few years have seen interest rates on the downward slope of the roller-coaster.

Mortgage rates have eased and funds have latterly been sloshing around the building societies almost begging for borrowers.

But the cycle will change as it always does. It could be, then, that a greater shift to the market mechanism and away from the historic "special situation" of the building societies could coincide with an upturn in rates and greater pressure on funds.

This is bound to lead to demands for other compensating changes.

One regularly touted suggestion is that South Africa take a leaf out of Britain's book and make mortgage payments tax deductible.

That looks attractive, but I think it has some drawbacks that are not always appreciated.

One of the main effects it has had in Britain is to cause a quite astonishing explosion in property prices, even with the occasional slump.

The 11 500 000 owner-occupied houses in Britain are estimated to be worth around £250 000-million (over R450 000-million) which is about twice the value of all the goods and services that will be produced in Britain this year.

A crucial reason is that the traditional tax concession for mortgages has made a house purchase not just the best investment anyone can make but almost better than working.

The concession fuels the constant surge in property prices and it has meant in recent years that a typical UK house-owner could expect each year to see a capital rise in the value of his house equal perhaps to half to his total income.

In those circumstances the case for buying the most expensive house possible is overwhelming.

Thus, while the tax concession may have encouraged the spread of home ownership it has also meant a huge disproportion in the amount of investment in Britain chanelled into housing and it has given vast paper gains to the middle and upper income groups. (All right, so maybe they need them).

On the other hand, those at the bottom of the income scale draw small benefit from the tax advantages — relatively as well as absolutely — and have the misfortune to see soaring prices putting houses beyond their reach anyway.

Such a system in South Africa would possibly have the same drawbacks for low income whites — and would be meaningless for most blacks, which is where the real social crisis over housing lies.

Britain now allows only the first £25 000 of a bond for tax benefits and this has helped to slow the house price spiral.

Tax relief in South Africa should certainly not be open ended if it is ever granted.

The building societies in South Africa have traditionally been opposed to schemes that would ease the burden of deposits and early year payments for low-income house buyers.

There are good reasons for their attitude but this could still be a more fruitful area than tax concessions, certainly for blacks.

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2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.

2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

KOSON 15253

Barclays Bank offer to Corlett creditors

(58) RDM 26/6/80

BY TONY STIRLING
Chief Reporter

A MOVE is being made to bring the troubled property giant, Corlett Drive Estates (CDE) out of judicial management.

Barclays Bank, the major creditor, has submitted an offer of compromise to the judicial managers which is to be considered soon by the other creditors. Just how much Barclays is offering against the claims of the other creditors could not be ascertained yesterday.

The move by the bank — discussed at last week's 11th meeting of the joint judicial managers — came after an application to the Supreme Court for liquidation had been launched by a Cape creditor who brought a ceded R250 000 claim against CDE.

By agreement with the joint judicial managers, who are opposing the action, the hearing was postponed to later this year.

However, though the other major creditors have indicated that they would be opposed to liquidation, Barclays Bank — who, according to the latest financial accounts, have put altogether a massive R42-million into CDE — were, because of the application, hesitant to provide the company with further financial backing.

In terms of the offer of compromise, Barclays Bank would acquire control of CDE, which it has tided over through five years of judicial management by pumping in R34 200 000. At the date of judicial management, the bank was owed R8 062 000 on overdraft.

This action by the bank probably saved the investments of many who bought stands worth a total of about R70-million from CDE. Only a small proportion lost their investments under judicial management.

The company, which was owed R48-million by its debtors when it went into judicial management, has debtors of R5 491 000.

According to the latest financial accounts, the original holding company of CDE, Jessel Properties, is owed R1 243 000, and subsidiary companies R3 350 000

ASA income doubled

(58)

RDM 26/6/80.

By ELIZABETH ROUSE

ASA, the American investment company with a top-class gold-share portfolio, doubled its dividend income to R18 097 421 ($22-million) in the six months to last May from R9 203 308 ($10 700 000) in the 1979 half-year.

Its portfolio, consisting of 16 high-priced gold shares and nine other mining shares and Sasol, reached a value of R424 746 815 ($543 675 923) at the end of May.

Its cash assets amounted to R12 764 468 ($16 338 519), or 2,9% of total assets of just over R437-million ($560-million).

Investments include East Drie, West Drie, West Deep, Buffels, Harties, Southvaal, Vaal Reefs and Randfontein. It has a De Beers holding of 1 325 000 shares, a sizeable holding in TC Lands, and some Implats, Rusplats, Amcoals and Trans-Natals among its non-gold investments.

ASA's net asset value increased to R45,57 ($58,33) at the end of May from R25,14 ($29,66) a year ago. Earnings a share were up at 182c ($2,34c) from 90c ($1,07c).

The chairman, Mr Wesley A Stanger, says in the interim report that inflationary trends throughout the world and a troubled Middle East seem to indicate no lessening of the importance of gold in the minds of people.

"South Africa's importance to the Western nations both from a military standpoint and as a source of strategic metals becomes more evident as time passes."

Bankovs ponders rights issue

58

RDM 24/6/80

Deputy Financial Editor

BANKOVS PUSHED up declared taxed profit 38% to R900 000 in the year to March, but returned only 7% on shareholders' funds of R11 300 000. This compares with between 16% and 22% of the bigger banks.

This is revealed in an annual report published yesterday, which shows that Bankovs is suffering from a severe capital shortage. The managing director of the bank, Mr E T J van Rensburg, acknowledges a rights issue may soon be necessary.

Even though profits moved ahead sharply off last year's low base, the dividend was held at 6c. This was because dividend cover, not to mention the capital base, badly needed bolstering. With earnings at 11c a share, dividend cover is still only 1,8.

Total assets grew 28% to R229 600 000, thanks mainly to a 30% rise in advances to R158 500 000. Cash and short-term deposits soared 86% to R19 900 000, indicating an underlent situation because of the credit ceiling.

On the liabilities side, deposits rose 27% to R217 100 000.

Growth off last year's base was certainly most impressive. Indeed, it was growth that led to the tight capital situation — and probably the maintained dividend.

In the current favourable banking climate, there is plenty of further recovery potential in Bankovs, but not until the rights issue is out of the way and the bank demonstrates that it can compete with its bigger brothers in earning a better return will the share go stronger.

SA Perm warns on house prices

(1 ~~23~~) ~~37~~ (58) RDM 26/6/80

By SIMON WILLSON

THE ALARMING rise in house prices had been aggravated by the abundance of home loan finance, Dr Frans Cronje, chairman of the SA Permanent Building Society, said yesterday.

He said at the Perm's annual meeting in Johannesburg he was concerned at the rate of increase in house prices, and at the steep rise in building costs which had averaged 2% a month.

The building societies had played a significant part in stimulating the construction sector of the economy and thereby providing many job opportunities.

"However, an unchecked rise in prices will result in home ownership becoming beyond the means of many South Africans," Dr Cronje said.

Building societies had helped the authorities throughout the year under review to improve the 99-year leasehold scheme so that it could provide home ownership for as many blacks as possible.

"I wish to record my thanks and appreciation to all who worked relentlessly on this project because I believe it is our national duty to bring about a better lifestyle for all our peoples."

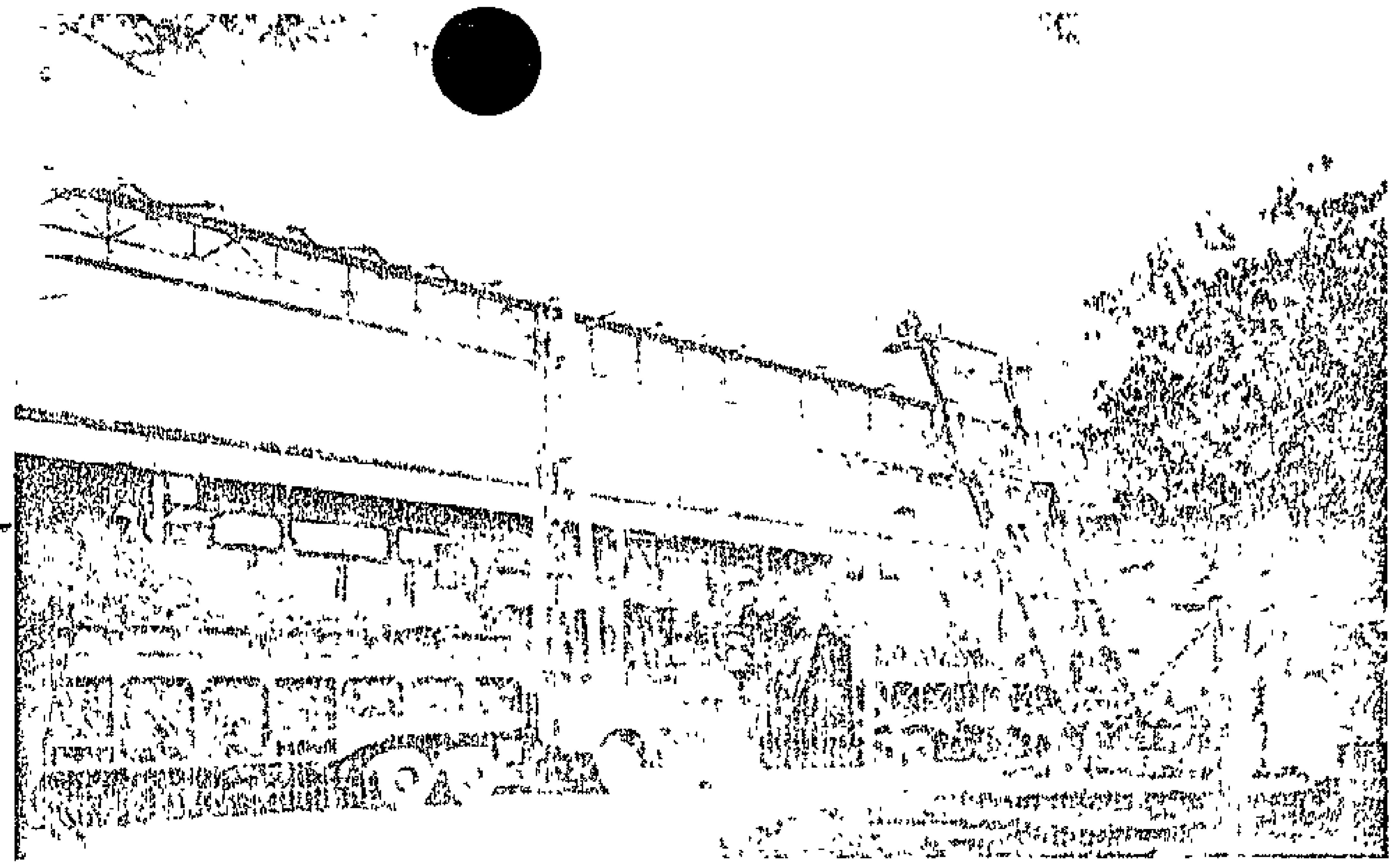
Dr Cronje said that the Perm's assets, at R2 433-million, had doubled over the past five years Total assets had increased by a record R452-million, which was 50,8% more than last year's growth figure of R286-million.

The Perm lent R835-million in the year under review — R2 700 000 a working day. Lending reached an all-time high of R5-million a working day in February and March.

Seconding the motion at the meeting, Professor D J Du Plessis, principal of the University of the Witwatersrand, said a great deal more needed to be done before the 99-year leasehold scheme became a proposition for the average black family.

"I am quite certain that blacks will not be totally satisfied until freehold home ownership becomes possible for them in urban areas This, I believe, is going to be inevitable in the long run and the short step from the 99-year leasehold to freehold should be taken now.

"It will give potential home owners the additional incentive they require to make use of the scheme on a large scale, with the resultant benefits for all sections of the community."



Tongaat ... diversification offsets near term sugar problems

TONGAAT (58)

Diversified gains

27/6/80

Activities: *The most diversified of the sugar companies, with interests in food and feeds, building materials, textiles and electronics. Holds 26% of Haletts through S & F Investments. Anglo American holds 17,1% of the equity.*

Chairman: *C J Saunders, vice-chairman D W Strachan, managing director A D Hankinson.*

Capital structure: *20,2m ordinaries of R1, 1,2m 6,5% red cum prefs of R1 and 3m "A" red cum prefs of 10c issued at R1. Market capitalisation R140,5m.*

Financial: *Year to March 31 1980. Borrowings long- and medium-term, R53,5m, net short-term, R10,3m. Debt equity ratio 27,6%. Current ratio 1,5. Group cash flow R31,2m. Capital commitments R45,4m.*

Share market: *Price 710c (1979-80 high, 800c, low, 510c. Trading volume last quarter 253 000 shares). Yields 11,1% on earnings, 4,2% on dividend. Cover 2,7. PE ratio 8,8.*

	'77	'78	'79	'80
Return on cap %	10 7	10 3	10 7	10 9
Turnover (Rm)	145	161	231	308
Pre-tax profit (Rm)	12,4	13,3	26 8	28 0
Gross margin %	11,7	11 8	11 9	11 8
Earnings (c)	63 0	64,6	60,9	80 7
Dividends (c)	24	25	23 2	30
Net asset value (c)	695	748	657	983

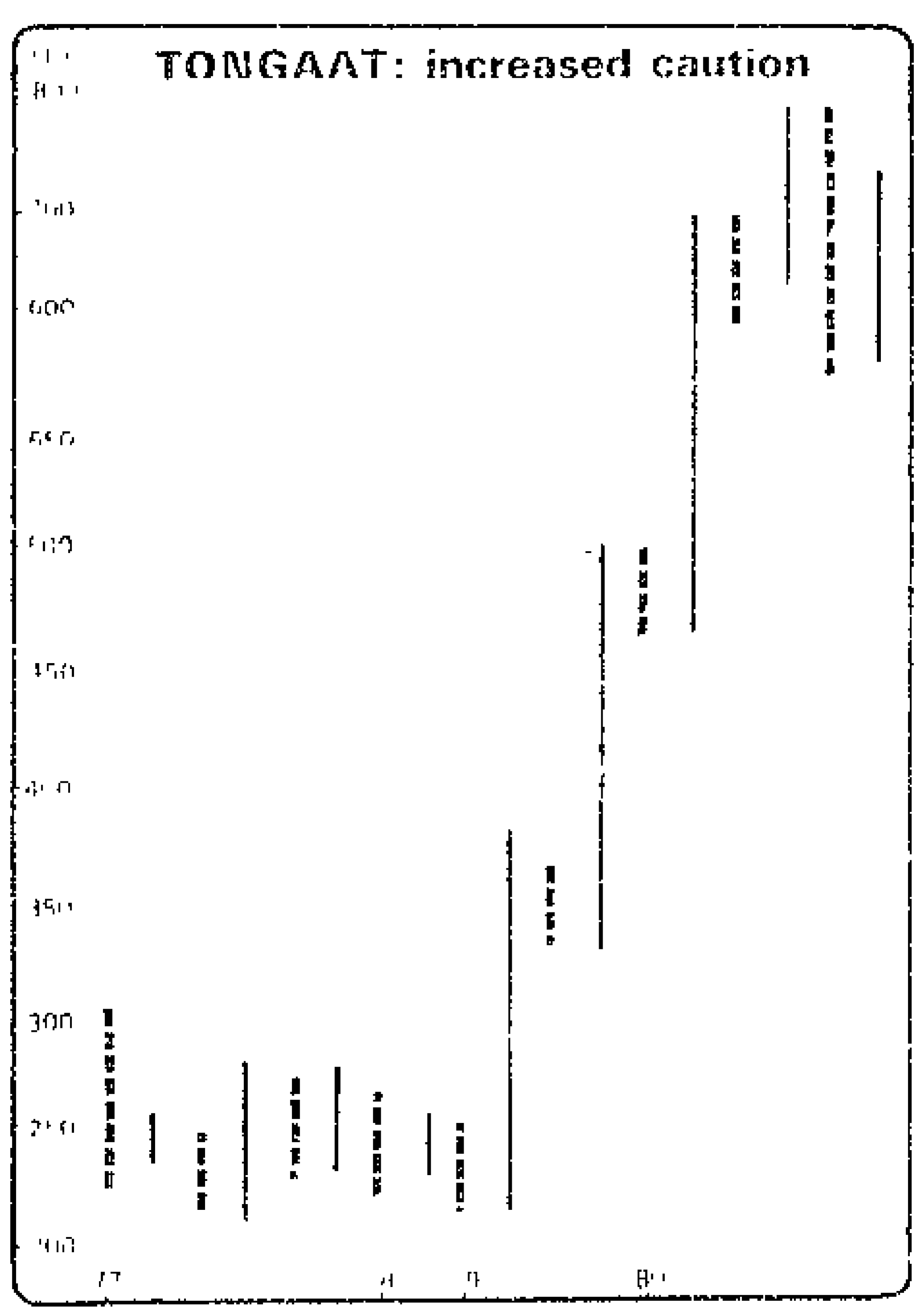
After last year's record profit, Tongaat has given a clear indication that earnings will grow at least 25% to 100c (80 9c) this year. And because of the group's sound diversified base, chairman Chris Saunders says a 25% average annual earnings growth should be maintained over the period to 1983.

This forecast and the acquisition of H Lewis, Hebox and Isando Milling last year mark a watershed for Tongaat's expansion plans. It appears 1980-81 will see sugar replaced as the number one profit contributor by the building products division. Since end 1979 Tongaat has been particularly active on the acquisition front with offers for H Lewis, Hebox and Isando Milling totalling R31,1m of which up to R13,6m might be satisfied by an issue of shares.

Last year, group sugar production was a record, with Tongaat increasing market share to 10,4% (10,1%). The net profit contribution from this division rose to 8% to R7 1m (R6 1m) but the directors say there is "no doubt" profitability will fall in the current year.

In contrast, the building products division reported a 79% earnings improvement as demand for bricks rose sharply and shortages developed in the Transvaal and OFS. This year another marked improvement is expected which augurs well for this division topping the profit contribution list.

The textiles division could be a competitor for number two slot ahead of sugar depending largely on the extent of the decline in the latter operation's profit. Last year textiles contributed 18,6% of total net profit, and with the coming on stream of the expansion at Whiteheads and the acquisition of Hebox, a "considerable" earnings advance is on the cards. This takes into account product rationalisation and synergy benefits from the mergers.



Food and feeds will be boosted by the acquisition of H Lewis to the extent that these activities could well be the largest in turnover terms in the current year. Had Lewis been consolidated in the year to end March, the food and feeds division would have contributed up to 16% of net profit against the 8 4% actually recorded. The division is "confidently" budgeting for an increased profit.

Profits by years	1979	1980
	R'000	
Sugar	6 117	7 084
Building materials	3 632	6 501
Property, electrical etc	369	(346)
Food & feeds	1 109	1 916
Textiles	3 991	4 271
Investment income	2 590	3 543
	17 808	22 969

Last year Tongaat reported further improvements in its financial structure. Total borrowings fell to R68,1m (R78,5m) with an improvement in the interest leasing cover to 4 4 (3,0) times. The return on capital employed was little different, mostly reflecting the R49,5m revaluation of assets during the year. Had assets been accounted at book value the directors say the return on capital employed would have been 13,8% (11 7%). Asset revaluation meant additional depreciation of R6,4m, after which dividends were twice covered.

Last year's acquisition moves towards Lewis and Hebox will cost R29m, hence the high R45,4m (R4 6m) capital commitments figure. These funds will come from the issue of shares, both prefs and ords, as well as retained earnings. Tongaat is considering the private placing of 7,5m prefs

cont

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to fund part of the acquisition prices.

The forecast for the next three years points to earnings of more than 160c in 1983. The ability of the group to give such a firm forecast is based on diversification which allows poor seasonal performances in some divisions, like sugar, to be more than offset by others. In addition, Tongaat is liquid and there are significant prospects for rationalisation. The fact that the group tends to be conservative augurs well for earnings to exceed 100c this year from which dividends of over 35c are in prospect.

The market obviously takes a more bullish view having rated the share at 710c on a low 4,2% historic yield — a better rating than even Barlows which stands on a 4,4% yield. *Des Kilalea*

14,7% return for Boland shareholders

58

RDM 27/6/80

Deputy Financial Editor

BOLAND BANK, South Africa's fifth biggest bank, pushed up declared taxed profit 22% to R3 774 000 in the year to March 31 to earn a return of 14,7% on shareholders' funds of R25 699 000.

This is revealed in the annual report published today.

Because of an increase in the number of shares in issue, earnings a share rose only 12,6% to 61,5c. The dividend was raised 10% to a 2,8 times covered 22c (20c).

Total assets rose 12,6% to R439 616 000. Total advances put on 11% to R304 095 000, with debtors and loans rising 22% to R195 898 000, reflecting growth in hire-purchase and lease business. Loans against mortgage bonds declined 3% to R108 198 000, reflecting a drive to reduce property exposure.

Total liabilities to the public rose 7% to R383 917 000, with savings and fixed deposits up 6,4% to R353 273 000. Creditors and provisions gained 22% to R29 785 000.

The bank has a comfortable capital surplus and at the year-end was in a position to accept another R45-million in deposits. This should enable further growth without a rights issue in the year ahead.

Boland holds 36,4% of Mercabank and, before the merger with Guardian, owned 12% of Unsbic. It will not accept cash for its Unsbic holding, choosing to stick with Guardian Unsbic.

Because Boland pays for most its deposits, falling interest rates should benefit it, but this tendency is partially offset by the large fixed deposit component. In an era of plunging interest rates this may well have impeded profit growth, although the declared profit is probably a substantial understatement.

But at least Boland Bank's vulnerability to rising interest rates is diminished by the deposit make-up.

At 285c, the share yields 7,7% on the new dividend, which was probably on the stingy side to permit further growth without a rights issue. The share is solid, if a little unexciting and at the current yield looks reasonable value compared with other banks.

DEPOSIT RATES FM 27/6/80

Adjusting the prices

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The building societies raised their fixed deposit rates in mid June to bring them into line with the retail rates paid by the banks but both bankers and society managers are swift to deny that this constitutes an "interest rate war".

Building Societies Association director David Alston admits there was a diversion of depositor's funds from the societies when the banks raised their rates in April. Fixed deposits rose only 1% between September 1979 and March 1980, against 7% in the previous six months. The shift was particularly noticeable in long-term funds (three to five years), on which the banks offered 9% against the societies' 7.5% until the June increases.

But the annual rise in building society deposits from March to March was still well in excess of the rise in mortgage lending. The rate increases were prompt-

Cont

ed by the competitive need to maintain market share. They do not, says Alston, constitute the opening salvoes of an engagement that will cause a steady upward movement in these rates.

Alston also denies the assertion by one banker that the societies are beginning to compete aggressively for deposits because they fear the prospect of losing substantial subscription share funds over the next few years. The tax benefits attached to these shares were reviewed by the Standing Committee on Taxation Matters, and in March it was decided to reduce the individual tax-free ceilings to R50 000 from R150 000 over four years.

"In theory, investors currently holding the maximum amount could disinvest. But the Association is considering ways and means of retaining these funds. Depositors could, for instance, invest the full amount while drawing tax-free benefits on only one third."

The increase in the building societies' rates has come three months after the bank increases, and with some mortgage lending rates as low as 10%, there was no doubt a reluctance to squeeze margins by matching the 9% long-term borrowing rate. So the movement of long-term money to the banks was probably the motivating factor for the societies.

The banks maintain that they have seen a steady increase in their fixed deposits in the last year. This is more noticeable among the general banks, where the 12-month rise to March was 17%, against a 23% increase in lending. Commercial banks' deposits rose by only 2%, compared with a 12% increase in lending. Much of the growth in deposits is a result of switching from savings to fixed deposits. On the wholesale side, corporate deposits (mainly from the mining houses) are said to be pouring in.

Rate matching

But a sudden upsurge in lending is not expected, although the current high growth patterns will probably continue. The banks maintain that they are, in any case, sufficiently liquid not to have to chase deposits. Rate matching is a form of price adjustment, they add. It is merely a way of holding existing market shares and maintaining deposit mixes.

According to Nedbank deputy MD Anton van der Merwe, the banks and building societies are consistently competing for funds, which is no more than a sign of economic health. Five-year money is considered to be the most stable, and therefore the most attractive in the banks' lending book. But it is difficult to come by at the moment, says Van der Merwe; depositors are reluctant to go beyond two years.

Nedbank, he adds, is looking forward to an increase in industrial borrowing in the more traditional form of overdraft, which has declined relative to acceptance credit, hire purchase and leasing. The statutory link of overdraft rate with Bank rate has kept it at artificially high levels, and made it progressively more expensive.

Standard's GM Arthur Daymond estimates that the comparatively low costs of disintermediated lending through acceptances and foreign bills (which are currently cheapest) has put a R500m dent in retail lending, probably permanently. "Banking ain't what it used to be," he adds. But lending in general has certainly increased; over the last year, credit card lending has doubled, personal loans are 20% higher, and quasi-government borrowing is being increasingly rerouted through the commercial banks.

Manufacturing and commercial retail borrowings have not risen much, he adds; there has been an increase in loan facilities applied for, but they are not yet being utilised.

Banks appear to be unconcerned about lending ceiling restrictions. Says one banker: "We're probably all over the ceilings and all paying penalties The monthly half-percent rise is negligible. But I have no doubt that the normal pattern will be followed. After a three month delay, Pretoria will make de jure recognition of a de facto situation. We're not worried."

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27/6/80

RIOT INSURANCE FM 27/6/80 (58) (224)

Becoming a necessity

Last week's major fire at Satknit's Cape Town subsidiary Maxmore Knitting Mills highlights the need for adequate and appropriate riot cover insurance. The fire, causing damage estimated at between R1m and R4m was part of widespread violence and looting on the Cape Flats.

Exact causes of the massive Maxmore fire have not yet been determined. Newspaper reports have speculated on one of two probable causes — either a petrol bomb was thrown through a window or fires from burning tyres in an adjacent area spread to the factory.

The Myerson brothers Peter and Neville directors of the company, are reluctant to disclose the extent of the damage. However, the company is covered by SASRIA (South African Special Risks Insurance Association) which should ensure that whatever the cause the claims should lead to some recovery. Nevertheless, whether the fire was caused by vandalism or was politically motivated is highly significant in terms of their insurance claim.

Conventional cover usually excludes any act calculated to overthrow or influence any government authority with force, or by means of fear, terrorism or violence. Also excluded is any act calculated to further any political aim or to bring about social or economic change, or protest against any government authority for the purpose of inspiring fear in the public.

According to the Commissioner of Police, the widespread violence and looting on the Cape Flats last week was conclusively due to a "skollie" element, and the Myersons are right behind him.

However conventional fire insurance demands that the burden of proving that the act was not politically motivated rests squarely with the claimant. In the opinion of David Way, a director of insurance brokers Robert Enthoven-Nelson "It is almost impossible for the claimant to discharge that onus of proof. In the case of the Maxmore fire (if SASRIA cover had not been obtained) the publically stated opinion of the Commissioner of Police would not be relevant nor furnish sufficient proof in any court action that the insured would undertake against the insurers. The claimant has to prove conclusively that the looters did not intend to influence government opinion by their acts.

Brokers at odds

But Denis Gamsy, MD of Alexander Howden, is at odds with Way, believing that the Commissioner of Police's opinion could hold water. Says Way: "There is no practical alternative for companies who wish to cover themselves adequately but to purchase SASRIA insurance."

Recent events have shown that riot cover is becoming a necessity, but SASRIA cover is considered expensive by most brokers.

A further thorn in the businessmen's flesh is that there is no policy that offers cover for consequential loss loss of profits and this could hit companies even harder than initial damages. Says Gamsy: "It took the authorities a long time to establish SASRIA, the avenue for political riot cover on fire material damage policies. Surely the public can expect immediate action to fill the gap, by SASRIA making available cover for loss of profits. I'm sure overseas investors will think twice prior to investments in SA if they can't obtain adequate cover."

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FM 27/6/80

KAAP-KUNENE

Widening profit net

Activities: *Holding company with subsidiaries engaged in fishing, investment and property.*
Chairman: *A P du Preez.*
Capital structure: *13,8m ordinaries of 50c; 1,8m 10% cum prefs of R1. Market capitalisation: R17,3m.*
Financial: *Year to December 31 1979. Borrowings: long- and medium-term, R91 000. Net cash: R684 000. Debt:equity ratio: 0,8%. Current ratio: 1,6. Net cash flow: R2,9m. Capital commitments: Nil.*
Share market: *Price: 125c (1979-80: high, 145c; low, 60c, trading volume last quarter, 540 000 shares). Yields: 23,0% on earnings; 12,0% on dividend. Cover: 1,9. PE ratio 4,4.*

	'76	'77	'78	'79
Return on cap %	18,4	18,5	15,2	15,8
Turnover (Rm)	26,2	25,1	19,1	22,3
Pre-tax profit (Rm)	5,6	5,2	5,3	6,4
Gross margin %	30,4	28,1	34,9	40,5
Earnings (c)	28,7	27,5	24,9	28,7
Dividends (c)	15	12,5	12,5	15
Net asset value (c)	202	209	238	275

The group has managed a slow and steady diversification programme over the last few years which has helped cut the fishing division's contribution to taxed profit from over 88% in 1977 to 68% last year. At the same time, investment income has formed a more significant portion of income and it now provides just less than 30% of taxed earnings.

Finance director Vivian Epstein tells the *FM* that a further major shift is unlikely this year, and there is no specific plan to boost investment income at the expense of revenue from fishing. The group is also fortunate in having its fishing operations split between SA and SWA/Namibia and the local operation is going "very nicely," according to Epstein. Quotas should be filled within the next couple of weeks, he adds.

In SWA/Namibia, anchovy are again proving to be a saving grace as pilchard catches plummet. Catches this year have been very satisfactory, Epstein says. On the other hand, the contribution to profits from the Luderitz lobster operation will be substantially less this year because of the low prices which prevail in the US and Japan.

The group has started a joint venture in a tuna fishing company, but this is still in its early stages and results are as yet uncertain. There is also a joint venture with Blue Continent in a crab operation. Though this never really got off the ground after being badly hit by the fuel crisis, Epstein says Kaap-Kunene has no intention of selling out.

The property sector is now in a position to make a more substantial contribution to earnings, having contributed a meagre 0,5% of taxed income last year.

Further acquisitions are in the air, but Epstein says there is nothing imminent. With little long-term finance being carried, financing of acquisitions would have to be done on an *ad hoc* basis. However with short-term deposits and other cash reserves around the R7m mark at year's end, cash outlays for medium-sized purchases would be no problem. Since the year-end, Epstein points out, the group has acquired a purse seine fishing boat for the Walvis Bay operation which was paid for out of these funds, and which cost between R1,5m and R2m.

The directors point out that earnings for the year are likely to be lower than last year, but they add that every attempt will be made to maintain dividends of 15c (12,5c).

If the group moves quickly to back up existing operations the dip in earnings may not be too severe and the group's already lessened reliance on SWA/Namibia's fishing resource must be an advantage. At the current 125c, yielding an historic 12,0%, the share is worth a speculative hold.

Scott Hawker

STAR 3/7/80

(58)

Govt allows loans for black business

By Derrick Thema

The Government has empowered the Industrial Development Corporation to grant loans to black business, the National African Federated Chamber of Commerce (Nafcoc) said yesterday.

This, according to Mr M Mahanyele, an executive director of Nafcoc, emerged this week at a meeting in Pretoria with the Minister of Co-operation, Dr Piet Koornhof, Mr Louis Rive and other Government officials.

Dr Koornhof had also promised that at the next parliamentary session, the Government would look into three Bills to fall in line with the Riekert Commission recommendations.

The Minister also promised to consider firearms for urban black businessmen. "Those who have had their applications turned down can apply again," said Mr Mahanyele.

The effects of white business involvement in black urban areas was discussed and the Minister had promised to protect black businessmen.

Dr Koornhof had said that liquor outlets, now run by Administration Boards and Community Councils, would fall under black businessmen.

(X2)

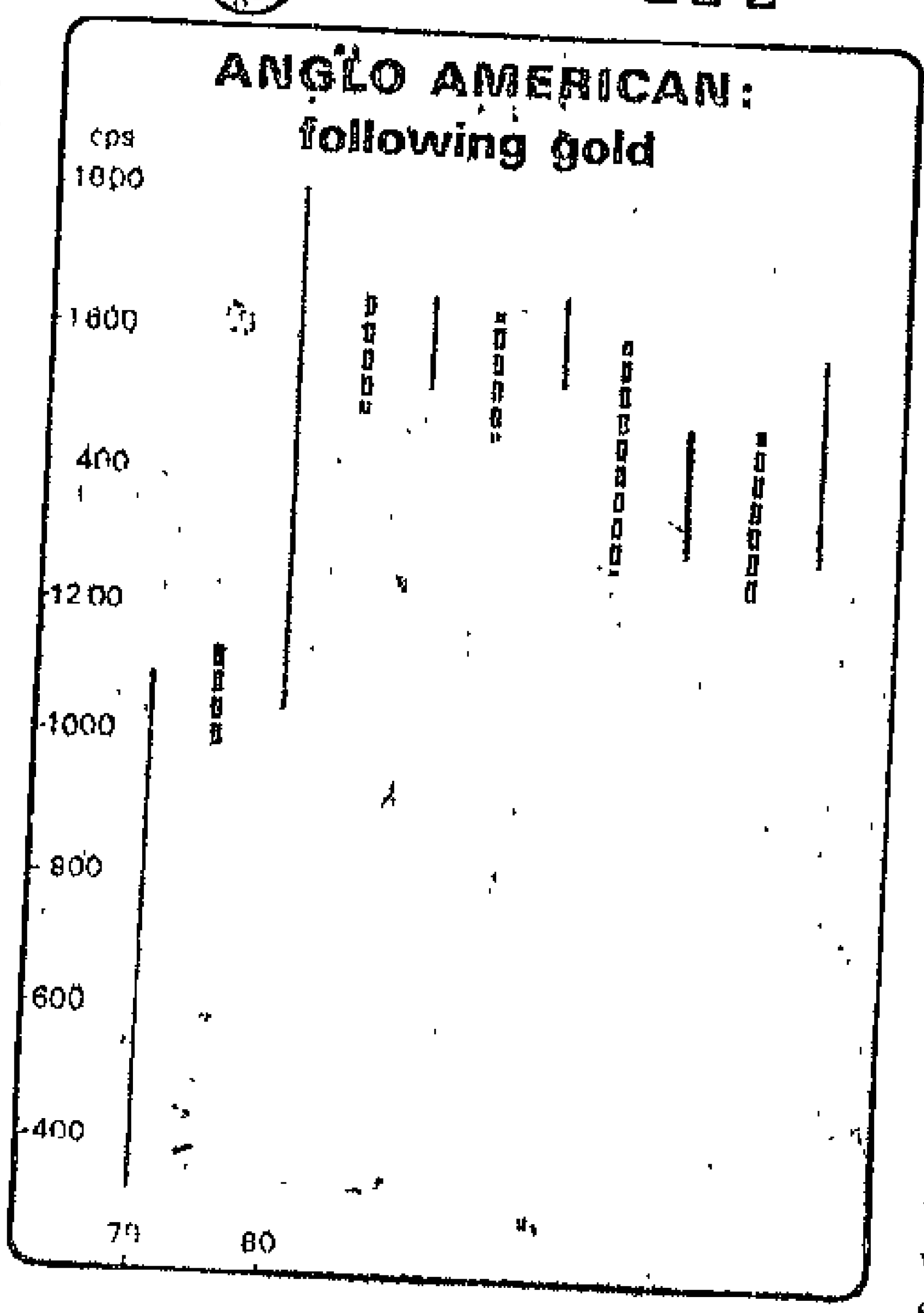
58 Fm 4/7/80

ANGLO AMERICAN

Gold funded growth

Activities: *Mining finance house with major interests in gold, coal and diamonds as well as important insurance and industrial interests. Apart from its own operating companies, Anglo controls JCI and has a 12,5% interest in Consolidated Gold Fields.*
Chairman: *H F Oppenheimer.*
Capital structure: *225,3m ordinaries of 10c; 40m cum red prefs of 2,5c; 4,8m cum prefs of R1. Market capitalisation: R3 875m.*
Financial: *Year to March 31 1980. Borrowings: long- and medium-term, R1 722m. Net cash: R1 366m. Debt:equity ratio, 31,1%. Current ratio: 7,7. Group cash flow: R363,3m. Share market: Price: 1 720c (1979-80: high, 1 830c; low, 667c; trading volume last quarter, 174 000 shares). Yields: 7,9% on earnings; 4,1% on dividend. Cover: 1,9. PE ratio: 12,6.*

	'77	'78	'79	'80
Investments:				
Book value (Rm)	526	838	879	1 130
Market value (Rm)	1 102	2 269	3 386	5 423
Investment income (Rm)	87,2	213,2	220,6	321,4
Earnings (c)	65,2	87,6	90,1	136 1
Dividends (c)	33	45,25	46	70
Net asset value (c)	786	1 025	1 543	2 391



This time last year two things were very clear about the greater Anglo group: it was on the verge of a major reorganisation; and growth was set to be fuelled largely by gold. As it was, both developments went well beyond what most analysts were then prepared to predict. Could it be that the same will apply this year? Almost everything appears to be pointing that way.

Last year's reorganisation resulted in millstones such as Selebi-Pikwe and Cleveland Potash being hung about stronger corporate necks. And that has left the off-shore arms Charter and Minorco more soundly placed to pursue their own developments. Meantime, since the raid in which Anglo and De Beers carried away 25% of Cons Gold, developments have left the group in a position where it could consummate the deal and achieve its ultimate aim of gaining direct control of GFSA (*Fox* June 27).

At least for the current year most growth will come from gold — either directly or through further acquisition. On an effective 1979 gold price of $306, 52% (37%) of last year's dividend income was gold sourced. This year, the contribution is likely to be well over 60%. Diamond income seems set for a period of consolidation, while industrial distributions could be under some restraint if retentions are increased to help fund increased development and working capital requirements.

But though near-term prospects are attractive, the group ultimately needs some major projects to maintain longer-term growth. And the simplest way for the cash-flush group to achieve that could well be through major acquisitions.

With the possible exception of the Erfdeel/Dankbaarheid area, there seem to be no major up-coming gold developments. Further drilling is needed before the group's mineral rights in the new southerly OFS gold field can be evaluated. And even then, there is no certainty that Anglo can put together sufficient ground to match Union Corp's two developments, Beisa and Beatrix. In the Eastern Transvaal, Anglo is trailing Anglovaal in its exploration programme. So even if viable gold deposits are defined, their full exploitation may be 10 years off.

For different reasons, uranium exploration in the Karoo, SWA and near Afrikander Lease may not result in any new mines in the near term. Uranium prices are depressed, and likely to remain that way for several years.

Most likely as far as the next two or three years are concerned is that new mine developments will concentrate on coal. The corporation now has coal reserves of 7 700Mt and has, since the year-end, announced an expansion of the Escom-tied New Denmark colliery. That, however, is unlikely to contribute to earnings until 1984. Nor, for that matter, is there likely to be any contribution from Erfdeel Dankbaarheid until the late Eighties.

Almost no matter what happens to bullion, this year's contribution from Elandsrand will probably be at best token. Its contribution to dividend income will only start in full in fiscal 1982.

The situation is different as far as non-mining activity is concerned. Last year, dividends from non-mining interests rose to about R61m (R57m). They should be up again this year, but any spectacular advance next year may be out of court. By that stage some of the steam could be running out of SA's boom, plants will be operating near capacity and retentions could be increasingly important to fund operations and capital spending.

In short the group's earnings growth over the next year or two will depend largely on gold. And though it is difficult to be bearish at present, gold's advance will almost certainly come to an eventual stop and even suffer short-term set backs.

Not that that is a great problem. Gold has averaged $594 this year, and is unlikely to average less for the whole year. And while supplies of new gold to world markets remain below last year's levels, there should, at least, be solid support in the $600s despite the US recession. On that basis Anglo's gold dividend income alone

Harry Oppenheimer . . . still on the takeover trail?

PTO

could reach R400m this year, Putting group's earnings on a new base of up to R600m. Deploying that should present no problems in the medium term. But fastest returns will be through further acquisitions.

On that basis, the up-coming bid by BP for Seltrust could well trigger further reorganisation of the greater Anglo group (*Fox* June 27). One likely scenario is that a greater direct stake will be acquired in GFSA, beyond the 10,9% held through Amgold.

That is, perhaps, the group's priority

INVESTMENTS AND INCOME

	Value of Investments % 1979	Value of Investments % 1980	Investment Income % 1979	Investment Income % 1980
By prime source				
Gold	40	48	37	52
Diamonds	18	13	28	19
Coal	9	7	6	5
Copper	1	1	1	1
Platinum	3	4	1	2
Other mining	2	3	1	2
Finance	7	4	7	4
Industrial	18	18	17	13
Oil & gas	1	1	1	1
Property	1	1	1	1
	100	100	100	100
Geographical				
SA	76	82	74	81
SWA	4	3	5	3
Rest of Africa South of equator	6	4	7	5
North America	7	6	6	4
Elsewhere	7	5	8	7
	100	100	100	100

objective. But it is almost certainly not its last. Taking complete control of JCI could depend on internal politics at Anglo, particularly as chairman Harry Oppenheimer steadily reduces his direct participation in the group's management. But the fact that during last year's group reorganisation, Charter's 4,2% Rustenburg stake went to Anglo and not to JCI is a pointer to the group's strategic planning.

Making further acquisitions while funding new developments is unlikely to strain resources while gold earnings remain strong. Group loans soared last year to R1 590,8m (R609,4m), but on the basis of present and projected cash flow, there remains considerable scope for a further increase in borrowings. The group's capacity for mobilising funds both internally and externally is probably greater than at any time in its history. Its success or otherwise in putting this to effective use will power developments into the next century.

However, ignoring the non-controllable effects of further gold price rises, Anglo's size is such that in the longer run it will find it difficult to make earnings grow at a significantly greater rate than that of the economy. Based on end-March figures, even with an average gold price in the $600s, the taxed return on end-March assets seems pointed towards 10%.

This year's distribution, clearly, is highly dependent on gold's performance. But there should be little difficulty earning more than 200c, and no reason why dividends should not exceed 100c *Jim Jones*

Sanlam sees vigorous growth until mid-1981

58

RDM 4/7/80

By HAROLD FRIDJHON

VIGOROUS growth of the South African economy until at least the middle of 1981 in spite of the "drastic deceleration" in the growth rate of the world economy is predicted in Sanlam's economic survey for June.

The insurance group's survey says that, if this prediction eventuates it will be the most prolonged upswing in the South African economy since the second world war.

Noting the considerable expansion in the economy since the middle of last year, Sanlam attributes this to the sharp improvement in consumer and business confidence resulting mainly from

- the higher gold price,
- tax reductions,
- large wage and salary increases and
- expectations that these favourable conditions will continue for a considerable time.

The Sanlam review has taken a bold line by stating definitively that "the capacity utlisation in private manufacturing has increased to such an extent that considerable capacity expansions may be expected in the coming 12 months. This anticipated increase in capital spending will give extra momentum to the revival in the economy."

It is encouraging to find Sanlam taking such a firm line. The economy has been awaiting news of new capital investment programmes because these should generate the additional employment which South Africa anxiously needs.

If the Sanlam prediction is right, it means that some of the excess capital awaiting investment will be drawn into these expansion plans and it might lead to a hardening of rates. And this view is confirmed in the insurance group's review.

"We expect that although the domestic liquidity situation will remain comparatively easy in the latter half of 1980, short-term rates will nevertheless tend upwards owing to an increased demand for funds in conjunction with the rapid rate of expansion in economic activity currently being experienced. Action by the authorities in the money market undoubtedly remains an important factor.

"With regard to long-term interest rates, events of the past month have confirmed that rates are in a rising phase at present. The extent to which large investors decide to withhold funds in the expectation that rates are going to be yet higher later in the year may have an important effect on the course of long-term interest rates in the next few months."

This Sanlam comment is interesting because it emphasises the dichotomy of views in the capital market, with the institutions holding back in the expectation of higher rates and the authorities giving generous support to lower rates.

VOLKSKAS FM 4/7/80 (58)

Avoiding dilution

Activities: *Diversified banking group with extensive industrial interests, including Bonuskor (62,4%) and Transvaalse Suikerkorporasie (wholly-owned)*

Chairman: *Dr J A Hurter; managing director: D P S van Huyssteen.*

Capital structure: *28m ordinaries of R1; 15m 9,5% prefs of R1. Market capitalisation: R172,2m.*

Share market: *Price. 615c (1979-80: high, 625c; low, 340c; trading volume last quarter, 423 000 shares). Yields: 21,8% on earnings; 4,9% on dividend. Cover: 4,5. PE ratio: 4,6.*

	'77	'78	'79	'80
Return on equity %	12,6	13 2	13,8	15,2
Total assets (Rm)	2 641	2 923	3 080	3 759
Deposits (Rm)	1 921	2 182	2 367	2 615
Advances (Rm)	916	959	1 191	1 327
Net profit (Rm)	15,1	16,8	22,8	30,4
Earnings (c)	70	78	103	134
Dividends (c)	20	22	26	30
Net asset value (c)	556	592	748	885

With economic conditions expected to remain buoyant, Volkskas is in a favourable position to maintain earnings per share this year. And that despite the 30% increase in its issued share capital as a result of the recently-completed rights issue.

The annual report confirms indications that last year's profit growth came mainly from non-banking interests. In particular 62,4%-owned Bonuskor increased its contribution to group income from R1,3m to R5,1m. This represented half the overall R7,6m improvement in disclosed profits of R30,4m (R22,8m) before pref dividends.

A further 14% was accounted for by the strong growth of Volkskas Industrial Bank (mainly leasing) and the merchant banking subsidiary which, in aggregate, doubled their profit contributions. The commercial bank itself, however, seems to have languished with a net profit of only R15,6m. This was less than double the R8,6m earned in the second half of fiscal 1979 when the results of commercial banking operations were first disclosed separately as a result of the restructuring which established the listed company, Volkskas Group, as a bank controlling company.

Indications of slow growth on the commercial banking side are reinforced by the relative increases in deposits and advances between the three banks. The Volkskas' accounts show deposits to be up about 7% and an 8% increase in advances. This compares with the deposit growth of 69% at Volkskas Industrial Bank and its 65% increase in advances, while the merchant bank saw a 42% rise in deposits and a 19% gain in advances.

Volkskas' Hurter . . . boosting industry

It is probable, however, that the group has been even more conservative than usual with its profit disclosure because of the possible dilution of earnings due to the increased share capital in the current year.

As it is, dividend cover has been increased to an historically high 4,5 times (1979: 3,9 times) which means that last year's dividend total of 30c was about 4c less than would have been the case under normal conditions.

Most of the other banking groups are presently showing earnings growth rates in excess of 30%. And if Volkskas can match this, it would already be in a position to maintain earnings on its increased capital. Whatever benefits it derives from the R30,4m raised through the rights issue would therefore represent an earnings gain, which could be as much at 17c a share based on the present rate of equity return. This could provide a further 4c in dividends.

If the former dividend policy of distributing about 25% of earnings is resumed, the group should thus have a dividend potential of some 38c in the current year, a 27% improvement on the 1980 payout. This is much in line with expectations elsewhere in the industry.

At 615c, a 38c dividend puts the share on a prospective yield of 6,2% which is roughly on a par with Barclays and Nedbank.

Thompson

BONUSKOR
Coming right

fm 4/7/80 (58)

Activities: *Industrial holding company with interests in earthmoving, construction equipment, motorcycle distribution, farming, forestry, sawmilling and fixed property. Volkskas is the controlling shareholder with 62,4% of the equity.*

Chairman: *Dr J A Hurter; managing director: J A Botha.*

Capital structure: *27,3m ordinaries of R1. Market capitalisation. R34,9m.*

Financial: *Year to March 31 1980. Borrowings: long- and medium-term, R3,4m; net short-term, R31m. Debt:equity ratio: 93,8%. Current ratio: 0,9. Net cash flow. R8,7m. Capital commitments: R2,7m.*

Share market: *Price 135c (1979-80: high 135c; low, 37c; trading volume last quarter, 791 000 shares) Yields 19,8% on earnings; 19,8% on dividend Cover 5,3. PE ratio: 5,1.*

	'77	'78	†'79	'80
Return on cap %	-	--	6,4	18 0
Turnover index*	209	202	160	339
Trading profit/(loss) (Rm)	1 0	(4 8)	1,5	9 9
Earnings (c)	---	—	4,1	26,7
Dividends (c)	-		—	5
Net asset value (c)	136	104	113	136

* 1972 - 100 † 9 months

Bonuskor . . . motorcycles put it back on the right road

Bonuskor's profit picture looks much healthier for the year to end-March, but the group is not yet out of the woods. The first dividend in four years indicates the degree of recovery already achieved under Volkskas' guidance, but financial structure still needs further beefing up.

A number of loss-making interests were axed after Volkskas bought Sanlam's stake in the group in 1978, including the disastrous Vesting property subsidiary. Assets from these activities are still being realised, but the directors stress that liquidation losses last year were negligible.

During the year, the Univa group was consolidated as a wholly-owned subsidiary after acquisition of the 60% outside interest. Manufacturing a range of products which includes white goods, pipes and industrial castings, this company should become a solid contributor to earnings.

The best performer in the group last year appears to have been motorcycle distributor Midmacor, which benefited from petrol price considerations and the general upswing in consumer spending. This company and those supplying the construction industry were responsible for 50% of the group's pre-tax profit while agricultural and timber interests contributes 47%.

Despite last year's substantial improvement in profits, Bonuskor is currently growing from a low base after two bad trading years and the low tax rate of 25%, due to the use of taxed losses, is not likely to continue for much longer. The balance sheet still contains reminders that all has not been well over the past few years — with a net cash flow of about R8,7m, the group must meet short-term liabilities of R31m. Last year, long-term debt was reduced by R1,7m but the debt:equity ratio is still high at 93,8%.

Obviously the subsidiaries must gear up to cope with increasing demand for their products But if last year's rate of growth in working capital continues, R13m-odd will be needed to fund more stocks and debtors Management predicts that operating profits will improve in the current year. This will no doubt provide the cash flow to fund working capital, but perhaps at the expense of dividends and debt reduction.

At 135c the share yields 3,7%. No indication is given of this year's expected earnings, but if dividend cover is increased from last year's 5,3 times, shareholders may have to be satisfied with capital appreciation alone.

Fiona Halse

LIBERTY LIFE FM 4/7/80

Power to workers 58

Liberty Life employees are soon to become shareholders in the group. In terms of a staff share scheme, and subject to shareholder approval at today's meeting, all employees will be given the opportunity of subscribing for 7,5% convertible redeemable prefs to the value of two-thirds of their present annual salaries.

These are the same R20 par-value shares which Liberty is issuing in its current one-for-ten rights offer. A trust will initially acquire a maximum of 300 000 shares to be made available by Glicor (the underwriter of the rights issue) and/or Liberty Holdings, which has indicated that it necessary it will give up a maximum of 284 000 out of its entitlement.

From the point of view of Liberty's staff, the scheme is fairly imaginative. In practical terms, it could mean a substantial bonus provided employees stay with the group until the shares become convertible.

The trust will initially pay for the shares and will charge staff who take up the offer 7,5% interest on the loan. This means, in effect, that they will not receive any income from their "investment" while the loan is outstanding

When the shares come up for conversion, however, in September 1985, 1986, 1987 and 1988 (25% each year, on a one-into-one basis) they will have the opportunity of selling sufficient ords to repay the loan, leaving them with the balance of their holdings for which they will effectively have paid nothing.

The example being used within the group is that an employee earning R3 000 a year would be entitled to subscribe for 100 of the R20 prefs, involving a loan of R2 000 from the trust. If, on conversion, the price of Liberty ords is 4 000c (it is now 2 000c), the loan could be repaid through the sale of 50 shares, leaving the holder with an investment worth R2 000, or two-thirds of his present salary as a bonus.

Liberty chairman Donald Gordon . . . more than just thank you

But this could prove conservative, as on the present yield basis of Liberty shares it would need dividends to compound at only 10% a year to justify a 4 000c share price in 1988. It is probably more realistic to assume that dividends will continue to compound at the same 17.5% annual rate of the past five years, in which case the 1988 share price on a 5% yield would be around 7 300c.

In this instance holders would be left with 73 ords worth some R5 300 after repaying the loan, or 178% of their present salary -- certainly better than the usual word of thanks which company chairmen dole out in annual reports *Brian Thompson*

FM 4/7/80

58

SOREC

Going it alone

Anglo is wasting no time unravelling the complicated cross-holdings in the property portfolio (*Property* May 9). By juggling some R50m of real estate over the past few days, for example, it has left listed Sorec as master of its own house.

With the exception of a single block of flats in Johannesburg's Berea, Sorec now fully owns all the properties in which it has an interest. Where it held minorities, it has sold out to parent African Eagle, and where it held a majority, it has bought out the junior partners.

And, just for good measure, Sorec (30%) and African Eagle have jointly sold off African Eagle Life Centre in the Pretoria CBD to the Old Mutual for a record R15,1m.

The shuffle has left six additional companies wholly-owned and the holding in five others has been disposed of. Sorec thus takes over full ownership of the Biccard Street site on which Garden Plaza is being built (see Ampros), Civic Towers, His Majesty's, ICL House, Twentieth Century and Zambesi House in Johannesburg.

In Cape Town it has bought outsider interests in Gardens Centre (50%) and Sanso Centre (30%). In Pretoria, it has added the Opera Plaza site (30%) and the blue-chip Sunnypark shopping centre (44%) as wholly-owned subsidiaries.

At the same time, in Johannesburg it has divested its minority interests in the Civic Hill/Total House development in Braamfontein (30%), 111 Commissioner Street (15%) and the Rissik/Albert Street site (50%). An indirect 15% holding in Damelin Centre has also been sold.

In Cape Town, it has sold its shareholding in Shell House (25%) and the Strand Street site (45%). African Eagle Life Centre is the only divestment in Pretoria.

Adding it all together after revaluation Sorec has ended up selling some R17,3m worth and taken in about R14,3m.

The R3m shortfall has been covered by the cession of fixed-interest loans from African Eagle and a small cash adjustment of about R63 000.

At first glance, the sale of Pretoria's African Eagle Life Building doesn't tie in with Sorec's new policy of concentrating on shops and offices.

But Ampros' financial director Lee Whitfield says the arrangement suffered from the same disability as the others in which it held a minority: It could not control or direct the fortunes of the development.

Now, with all but one of its properties cleanly held, it will have a free hand on management and control. It will also be in a better position to raise loans against the properties for several new developments in the pipeline.

In addition, it should end up with some cash in hand from the Pretoria sale for reinvestment in other projects. One of these is the Opera Plaza office scheme. There are already shops on the site and Ampros is now putting the final scheme together. The idea is to put up about 11 000 m² of offices.

Certainly the sale to Mutual hasn't left it short-changed. The insurance company seldom talks yields, but the *FM* understands that initial return is about the same as the 7%-odd on which Anglo and Mutual reached the R11,264m price for Durban Bay House in May.

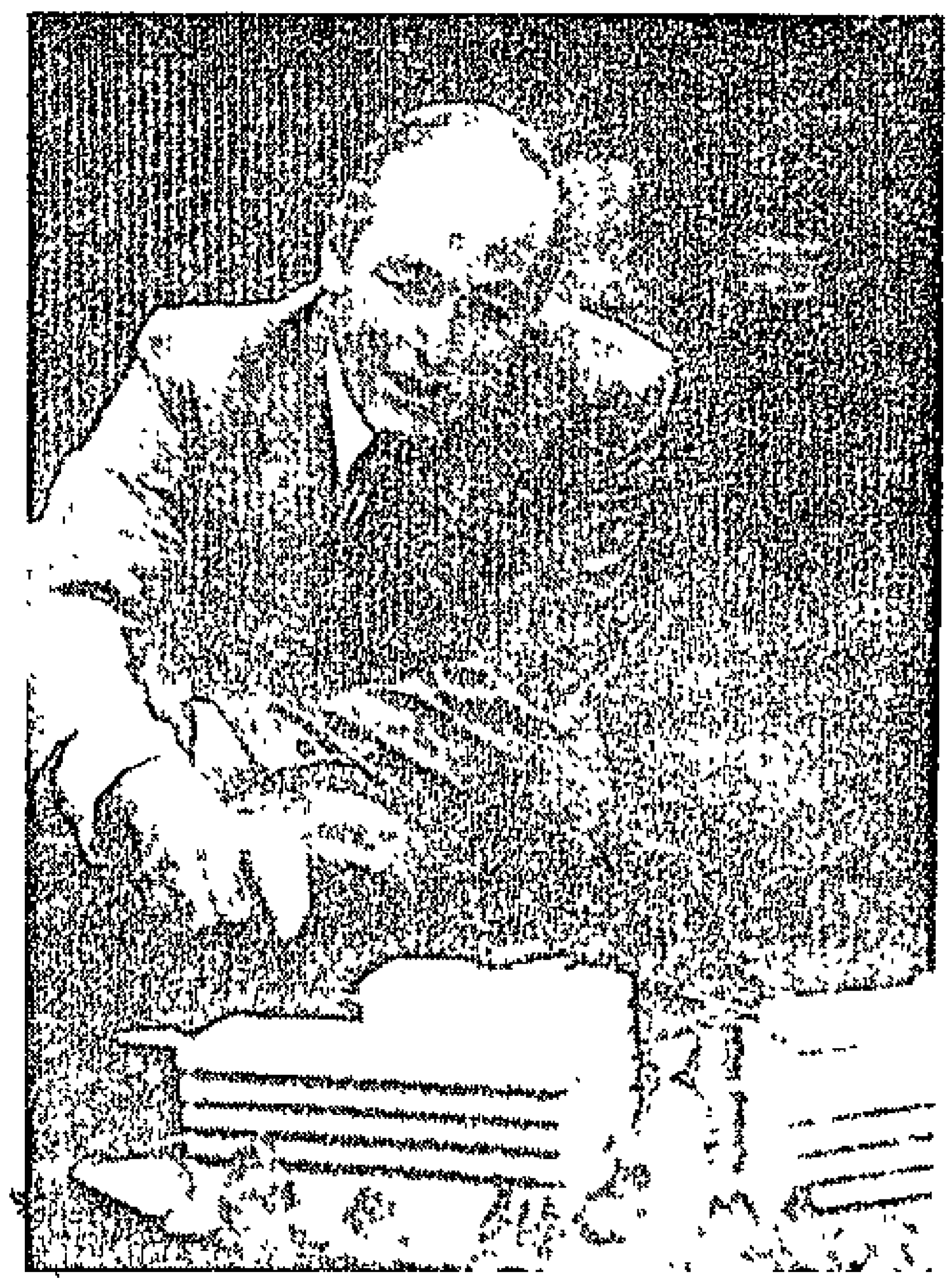
The OM takes the long view, but there's certainly no-one in the entrepreneurial sector who would buy at that kind of rate.

Nevertheless, deputy property manager Derek Stewart-Findlay says Mutual is highly satisfied. It has been wanting a prime property in the Pretoria CBD for some time, he says, and approached Anglo only a few weeks ago.

The deal was thus struck inside a month and the test now will be to turn the investment to good long-term account. Some 85% of the space is taken by government and leases are due for renewal in three to four years.

At that stage policyholders can look forward to a minimum hike of at least 50% on their investment. Anything less, and it will turn out to be a lemon.

Even that looks low. The reason in both cases can be summed up in two words, air conditioning. Dennehof won't have any, apart from optional units, and Garden Plaza will have a more sophisticated unit system which will save half the cost of a central plant.



Mason and Dennehof model . . . more than hot air

(58) FM 4/7/80

X

S.A. SELECTED HOLDINGS LIMITED

Consolidated unaudited results of the Company for the year ended 29th February 1980:

	R'000s
Turnover	24 548
Profit before taxation	1 824
Estimated South African normal and deferred taxation	(560)
Profit after taxation	1 264
Minority shareholders' interest	(38)
Preference dividend	(28)
Profit attributable to ordinary shares before extraordinary items	1 198
Extraordinary items: Losses (See note 6)	(262)
Earnings per share based on 12 000 000 ordinary shares and profit attributable to ordinary shares before extra ordinary items	10 cents
Dividend per share	2 cents

NOTES.

1 Following the reconstruction of the Company, back-dated with effect from 1st January 1979, the above results include turnover and profits of the Intercontinental Group of Machine Tool Distribution and Engineering Companies. As the latter Group's results cover a fourteen months period of trading, these have been annualised for inclusion in these figures and accordingly turnover of R1 481 000 and profits of R64 000 have been omitted

2 Preference shares have only been in existence since 7th December 1979

3. Because of the above circumstances, any comparison with previous turnover and profit figures would be meaningless, and are accordingly not shown.

4. The Annual Report, which will be published not later than 31st July 1980 will contain a full review of activities of the different divisions of the Group and set out their prospects for the current year

5. It is the Directors' intention to dispose of the 78 per cent interest the Company owns in Sinclair Holdings Limited during the current year. This investment was inherited prior to the reconstruction referred to above, and bears no relation to present Group activities

6. During the year Sinclair Holdings Limited disposed of certain unlisted investments at a loss applicable to your Company of R231 000

7 Your Company raised a loan to purchase the shares in Sinclair Holdings Limited, the interest on this amounting to R140 000 for the year. In view of the fact that your Board is confident of disposing of this investment at a figure in excess of the book value of the shares, the interest paid has been capitalised to the cost of the shares

DECLARATION OF DIVIDEND

Notice is hereby given that a dividend of 2 cents per share in respect of the year ended 29th February 1980 has been declared payable on 26th September 1980 to Shareholders registered in the books of the Company at the close of business on 5th September 1980 The share transfer books and register of members of the Company will be closed from 8th September 1980 to 19th September 1980 both days inclusive

In terms of the Income Tax Act of 1962, as amended, non resident Shareholders' tax of fifteen per cent will be deducted from the dividend payable to Shareholders whose addresses are outside the Republic of South Africa

By Order of the Board

MERFIN LIMITED *Secretaries*
30th June 1980

BOUMAT

FM 4/7/80

Building plans

58

Activities: *Supplier of specialised building materials including sanitaryware, plumbing materials and builders' hardware Also manufactures solar and electric water heaters and building fittings. Saficon owns 16% of the equity.*

Chairman: *I D Brittan; deputy-chairman. S Borsook.*

Capital structure: *4,0m ordinaries of 50c; 2,1m 10% red cum prefs of R1; 3m 21,5% cum red convertible prefs of 50c. Market capitalisation: R22m.*

Financial: *Year to March 31 1980. Borrowings. long- and medium-term, R8,0m; net short-term, R8,2m. Debt:equity ratio 77,4%*. Current ratio: 1.7. Group cash flow: R5,2m. Capital commitments: R512 000.*

Share market: *Price 550c (1979-80): high, 550c; low, 255c, trading volume last quarter, 97 000 shares) Yields: 18,5% on earnings, 4,5% on dividend. Cover 4,1. PE ratio: 5,4.*

* Red prefs classified as equity

	'77	'78	'79	'80
Return on cap %	23,2	18,8	20,4	25,9
Turnover (Rm)	49,7	48,3	64,5	108,9
Pre tax profit (Rm)	4,1	3,3	4,7	9,7
Gross margin %	8,2	6,8	7,8	9,4
Earnings (c)	40,7	31,1	48,8	101,5
Dividends (c)	22,0	22,0	23,5	25
Net asset value (c)	226	235	250	322

Improvements in the economy and acquisitions during the year made Boumat chairman Irvine Brittan's 1979-80 forecast conservative. At the interim stage he said annual sales would top R100m and earnings 75c a share But by end-March, turnover had reached a record R108,9m (R64,5m) and earnings more than doubled to 101,5c (49,2c).

Brittan explains that the year started sluggishly, but the improvement in the building industry continued to gain momentum. Low interest rates and freely available mortgage finance caused a "strong acceleration" in private home building, while public sector spending on low-cost housing remained at a high level. The effect of these improvements has been such that Boumat's sales have more than doubled and operating profit more than trebled since 1978's market bottom.

At end-March 1979 Brittan had expected sales of R77,2m in the following 12 months But the April acquisition of Target-Greatrex and that of Incledon in October altered the basis of the forecast completely. Target-Greatrex turned in an "excellent performance," while Incledon more than doubled operating profits in the first six months of consolidation.

Brittan's now well-known three-year forecast has proved conservative. So he has adopted a different set of assumptions which should more accurately reflect the level of real activity and price inflation. He says residential building's long-term growth path suggests investment in the industry would have to grow at a compound 3,5% annually.

This is made up of 5,5% in public and 2,8% in private sector investment. Public sector growth is now close to its long-term path, but assuming private investment will take five years to reach its growth curve would suggest investment of 7,8% yearly until 1983. In total, the next three years suggest annual compound growth of 7,1% says Brittan.

In the light of these assumptions and a compound 15% inflation rate, Brittan expects the market to grow at 23% in rand terms for the next three years. Boumat's sales should move faster with the full year's consolidation of Incledon and the recently acquired City Metal Works and Tool Wholesale Holdings. Earnings are expected to advance at an annual compound 22% and dividends at 28%.

The divergence between the earnings and dividend growth follows the group policy of basing the annual distribution on the opening net worth. In 1980 Brittan sees earnings growing 36,1% to 138,1c and dividends 28% to 32c (10% of the end-March net asset value). However earnings growth is expected to flatten to 15,2% and 17,2% in the succeeding two years while dividends, based on the net worth will advance at 28,1% and 26,8%.

PERFORMANCE FORECAST

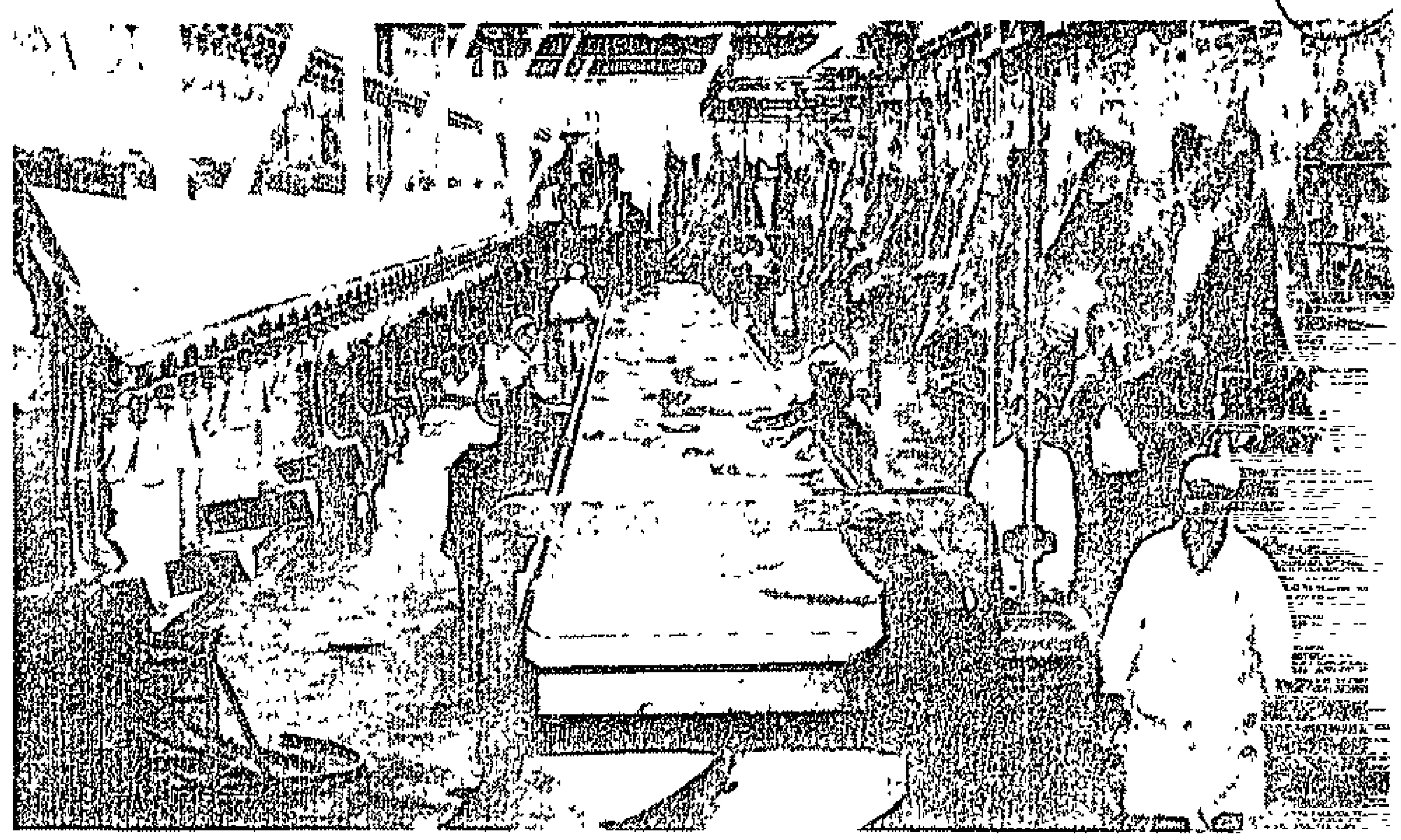
	'81	'82	'83
Turnover (Rm)	158	194	239
Operating profit (Rm)	14,6	18,0	22,1
Earnings (c)	138	159	186
Dividends (c)	32	41	52
Asset turn	4,2	4,1	4,0
Sales return (%)	9,3	9,2	9 2
Return on opening cap (%)	39,2	38,0	37,4

Boumat's informative annual report gives the group's long-term debt.capital employed ceiling as 50%. Last year the ratio was 47%, reflecting the inclusion in equity of the R6m red convertible prefs issued during the year. Normally the group classifies red prefs as debt, but until the conversion option expires, this issue will be reflected in equity. Brittan says the industry's long-term growth path should mean Boumat has to invest nearly R37m over the next three years which will be funded in about equal proportions by retained earnings and additional brorowings.

Last year, total borrowings, excluding the red prefs, were R16,3m (R10,5m) which was equivalent to 3,1 times (4,1) group cash flow. In addition the annual interest/leasing bill was covered a comfortable 5,3 (3,9) times by gross profit.

On the basis of the 32c dividend to be paid this year (10% of opening net worth), the share, at 550c, yields a prospective 5,8%, which is attractive on a two-year view.

Des Kilalea



ICS . . . packing more beef into earnings

IMPERIAL COLD STORAGE

FM 4/7/80 58

Consistent record

Activities: *Holding company with subsidiaries in the food industry, notably red meat, meat products, poultry, dairy products, margarine, fish and frozen vegetables. Has ranching interests in SA, Zimbabwe and SWA/Namibia*

Chairman and managing director: *W H Neate.*

Capital structure: *23,7m ordinaries of 25c; 500 000 5,5% cumulative prefs of R2. Market capitalisation: R80,6m.*

Financial: *Year to February 29 1980. Borrowings, long- and medium-term, R22,5m; net short-term, R10,4m. Debt:equity ratio: 41,2%. Current ratio: 1,4. Net cash flow: R19,9m. Capital commitments: R17,3m*

Share market: *Price: 340c (1979-80, high, 355c; low, 200c, trading volume last quarter, 182 000 shares). Yields: 16,5% on earnings, 4,7% on dividend. Cover: 3,5 PE ratio: 6,1.*

	'77	'78	'79	'80
Return on cap %	17,9	18,8	18,8	18,9
Turnover (Rm)	397	446	501	588
Gross profit (Rm)	18,9	21,7	23,3	26,7
Gross margin % . ..	4 8	4,9	4,7	4 5
Earnings (c)	35,1	40 9	47,1	56,1
Dividends (c) . ..	12,0	13,0	14,5	16
Net asset value (c)	263	293	332	388

Though chairman William Neate forbears to forecast earnings or turnover for the current year, ICS's past record indicates that its steady progress of the past years will continue.

Turnover, which rose from R50m to R588m last year, should be boosted further over the next three to four years by a R50m capex programme which will add to dairy production facilities in the Transvaal, cold storage in Johannesburg and in Cape Town, as well as a pig abattoir in Clayville. At the same time, the group's meat packing plant at City Deep will be working at full pace for the second year, while the processed meats facility in Johannesburg is being modernised.

The group has also strengthened its foothold in the ice-cream market by buying most of the assets of Walls which closed operations in SA recently.

Neate says that "significant progress" was made during the year in marketing the group's frozen vegetable range, while the purchase, since the year-end, of Atlantic Trawling puts subsidiary Sea Harvest in the leading position in the trawl fishing industry. He warns, however, that near-term growth in fish landings will be curtailed because of the need to protect the resource.

Neate claims that the group's margarine brands increased their market shares last year, despite tough competition, as total sales of margarine increased by 11%. Part of this rise, he points out, was due to the fall in sales of butter which now has only 15% of the spreadable fats market.

There are some major problem areas however, and Neate is especially concerned about rising costs of raw materials and of fuel and other distribution factors Trawling is seriously affected by this though Neate does point out that the distribution operations improved performance last year. Even so, operating margins continue to be squeezed.

Another area for concern is the fact that the national cattle herd dropped by almost 5% last year — the first decline in more than ten years, while the average mass of carcasses has slipped by more than 4%. These factors, Neate warns could affect the availability of red meat with resultant price rises The Meat Board, he adds, is reviewing the floor price system in an attempt to protect the producer.

The group is adequately geared with a virtually unchanged debt:equity ratio of 41%. Borrowings increased only marginally last year. But though there is room for increased gearing, emphasis will continue to be placed on internal funding of operations.

Over the past year the share has climbed steadily to its present 340c. On past performance, a dividend increase to 18c could be on the cards for a reasonably attractive 5,3% prospective yield.

Scott Hawker

HULETTS

58 VB6 FM 4/7/80

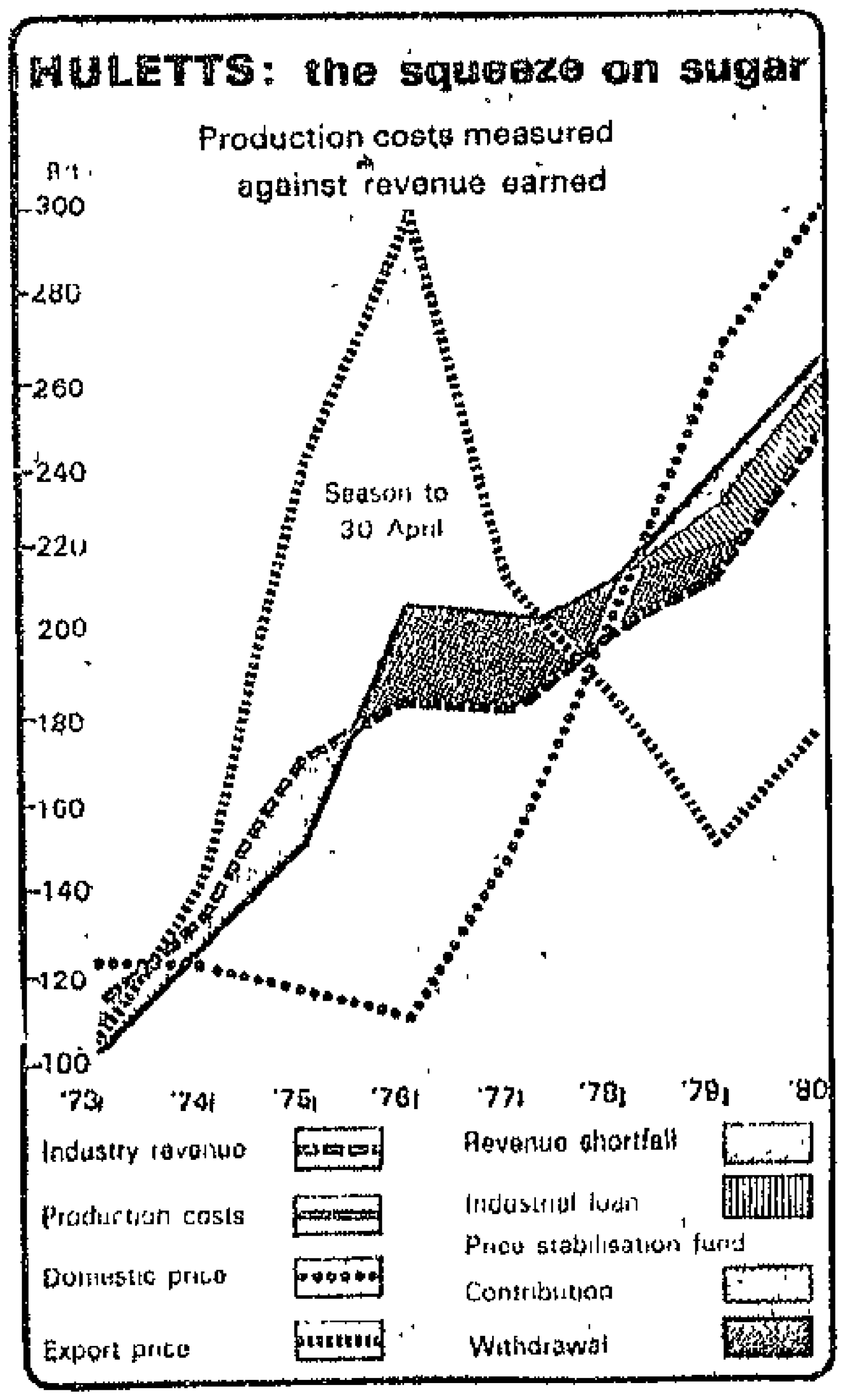
Industrial boom

Activities: *Diversified sugar group controlled jointly by Tongaat and C G Smith. Other interests include 60,8% of Huletts Aluminium and holdings in paper, packaging, transport, engineering and property.*
Chairman: *32,9m ordinaries of R1; 2,2m 6,5% red prefs of R1; 5,3m variable rate prefs of R2. Market capitalisation. R213,9m*
Financial: *Year to March 31 1980. Borrowings. long- and medium-term. R50,3m net short-term, R10,0m Debt. equity radio: 24,0%. Current ratio: 1,7 Group cash flow. R44,8m Capital commitments: R17,1m.*
Share market: *Price: 650c (1979-80 : high, 900c: low, 218c; trading volume last quarter, 390 000 shares). Yields: 9,9% on earnings, 6,8% on dividend. Cover: 1,5. PE ratio. 10,2.*

	'77	'78	'79	'80
Return on cap %	11,2	11,8	14,0	16,2
Turnover (Rm)	288	300	333	413
Pre-tax profit (Rm)	22,7	27,7	38,8	50,4
Gross margin %	10,1	11,5	13,4	13,1
Earnings (c)	45,6	42,6	54,2	63,6
Dividends (c)	31	28	37	44
Net asset value (c)	521	548	658	637

Hulett's diversification programme showed its real worth last year when the group was able to show a 27% improvement in profits despite a reduced contribution from its sugar activities.

Of the R4,3m increase in attributable profits, after allowing for additional depreciation on revalued assets and a Lifo stock valuation adjustment, R2,5m was accounted for by new acquisitions, while a further R1,8m represented a change in accounting policy in the sugar division. This means, in effect, that the rest of the group did no more than balance the 27% decline in net sugar earnings before the accounting policy change.



This fall reduced the proportion of gross profits (before tax and interest) attributable to sugar from 61,5% to 43,7%. However. after taking into account minority holdings in some of the key industrial subsidiaries, this division was still responsible for slightly more than half the net profits attributable to shareholders.

By way of contrast, with the acquisition of the remaining 50% of Hypack and the consolidation of this company for the first time, the group's paper and packaging interests have been considerably expanded and now account for almost 25% of gross profits against only 11% previously. And if the broadly related activities of Huletts Aluminium are included in this sector, the total increases to 47% of gross profits, topping the contribution from sugar.

This pattern is likely to extend in the current year. Prospects for the entire sugar industry are clouded by expectations of a substantial fall in output as a result of the drought in the sugar belt. First estimates of industrial production for the 1980-81 season which ends next April. were put at 1,75 Mt, down 16% from the 2,1 Mt of the season just completed. But the SA Sugar Association has since predicted that even this looks optimistic and that national output is not likely to total more than 1,65 Mt — a 21% reduction

The outlook for Huletts is even worse. Firstly the drought in the areas from which it draws its cane has been more severe than in the rest of the industry. And secondly, the group continues to be affected by the incidence of Eldana borer, a pest which eats the core of the cane.

Huletts consequently expects its share of industry output to fall further to about 27% compared with 30,3% last year and its normal quota of around 34%. Output this year could, therefore, drop by between 25% and 37%, depending on which of the two industry forecasts proves the more accurate.

So, while chairman Chris Saunders expects profits in the industrial division to continue to boom, with turnover and distributable earnings increases of at least 50%, he warns that this will largely be absorbed by the decline in the sugar division. This implies that sugar earnings could drop by almost half if the drought persists, in which case the contribution to group earnings would probably fall to below 30%.

At this stage Saunders is not prepared to go any further than to say that he hopes the present 44c dividend total will be maintained. It should be noted, however, that he made basically the same forecast a year ago, which proved very conservative. The balance sheet remains strong and there can be little doubt that the group will continue to be on the lookout for suitable acquisitions in the industrial field which it sees as offering the best opportunities for long-term growth

The present uncertainties are reflected in a historic dividend yield of 6,8%, which. although not particularly high for the sugar sector, is some two percentage points more than the industrial market average. The share could prove cheap at 650c if the group again manages to exceed its expectations.

Brian Thompson

F2

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FM ~~215~~
4/7/80

Anglo American Coal Corporation Limited

(Amcoal)

Incorporated in the Republic of South Africa

Coal supply to Escom's Tutuka Power Station from New Denmark Colliery

The Board of Amcoal announces that the Electricity Supply Commission has exercised its option for additional coal supplies from the New Denmark coalfield to enable the planned generating capacity of the Tutuka Power Station to be increased from 1 800 MW to 3 600 MW. As a result the designed capacity of the New Denmark Colliery will now be increased to some 10 million tons of coal annually.

Work is now in progress on detailed mine planning. Production is expected to commence during 1984, in time to meet the commissioning of the first of the six planned generating sets at the power station during the first half of 1985. It is expected that full production will be reached by 1990.

In the Annual Report for 1979, the combined cost of developing the New Denmark Colliery to supply the Tutuka station, then of 1800 MW capacity, and the New Vaal Colliery was estimated at R210 million in January 1979 money values. Capital estimates for the enlarged New Denmark Colliery are in the process of being completed and agreed with Escom. It is now expected that the combined cost of the two collieries will be approximately R322 million in January 1979 money values. As previously indicated, it is anticipated that approximately 60 per cent of the cost of the two collieries to completion will be funded by Amcoal.

Johannesburg
June 30 1980

INSURANCE BROKING

EM 4/7/80 (58)

Clamping down

Much controversy has been aroused by the proposal that insurance companies be compelled to quote commission-free premium rates on retirement annuities which the public could purchase direct from the insurers.

The idea is contained in the recent report of the Interdepartmental Committee of Enquiry into pension matters. If implemented, it would radically affect the marketing of retirement annuities. The brokerage function in the sale of such business could be seriously impaired, as brokers lose potential income from such policies, and the client would have to deal direct with the insurers and so lose the benefit of independent advice.

Liberty Life AGM Bill Irwin says he "fails to see the logic behind the recommendation." If insurers are to compete with each other on a direct marketing basis, advertising budgets will "soar" as the companies chase business, while heavy costs will arise in establishing highly trained, specialist selling staffs.

Comments Irwin: "With such additional expenditure to be incurred it is difficult to see how the 'commission-free' premium rates would vary significantly from the normal premium rates since the cost of all expenses must ultimately be met from premium income." In those circumstances he queries the need for any change in the insurance marketing system.

Broker Tim Jackson slams the proposal as its "underlying effect will be to damage the insurance industry in the country as a vehicle for long-term pension investment." Because brokers will no longer have the incentive to sell retirement annuities, money which might otherwise have been invested in pension savings will be channelled to other areas, like consumer spending. People have to be convinced to take out annuities, he says, and this task is best performed by the brokers with their expertise.

Frozen savings

Jackson does not believe the Committee's proposal to establish "frozen saving accounts," — deposits held with the banks, societies and the Post Office for pension purposes only — will be effective as the savings institutions' rates of interest historically are not competitive with stock market gains. He estimates the proportion of retirement annuities as a percentage of whites' propensity to save will decline from its present level of around 15% to 20% to about 5%. So the Committee's object of encouraging provision for pensions will be defeated.

The counter argument is that the Committee does not preclude brokers from continuing to give advice on retirement annuities and charging a fee for their services. Minet's Colin Laschman points out this would be a more professional approach and would place broking on a par with other professions which charge fees for services rendered. He adds that much of his firm's income is already derived from fee sources. Laschman feels one of the purposes of the recommendation is to "make the man in the street more aware of the cost of using an intermediary."

But the public is not used to paying brokers directly, says Federated Insurance's Arnold Basserabie who claims "it is completely foreign to the hitherto accepted way of doing things." The levying of fees may encounter public resistance to such charges and in consequence many good people will be driven out of the profession, while the principle would have been established that government could regulate the salaries of professionals for purposes it deems in the public interest.

Basserabie suggests the Committee's proposal stems from its envisaging a compulsory requirement in the future that the earner sets aside a possible 10% of his income for pension provision. In such circumstances it would be unfair to allow a commission on any policy which has to be taken out by law.

Yet compulsory provision will not obviate the need for specialist advice, notes Irwin, especially if the saver desires faster growth on his pension investment than could be obtained by compounded rates of interest.

By hitting at the broker, government is interfering with market competition. Moreover, the question arises whether government is entitled to force people to provide for their pension. As Jackson comments: "Horwood preaches free enterprise on television and his committee brings out something that is totally socialist."

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STAR 8/7/80

Anglo aims at stake in North Sea oil

By Michael Chester, Financial Editor

The Harry Oppenheimer empire, run from the Anglo American Corporation base in Johannesburg, may soon spread to the rich North Sea oilfields.

The chance of the stake in oil seems almost certain to have been the crucial key to the record-breaking R750-million takeover by British Petroleum of the international mining house, Selection Trust, that was agreed to in London yesterday.

Mr Oppenheimer held the high cards in the deal because of the Anglo American control of Charter Consolidated, which in turn held control of Selection Trust.

The takeover looks bound to end in a mines-for-oil swop.

It has long been known that BP, like most other oil giants, is anxious to diversify in the long term, using vast oil profits to gain a foothold in alternative energy sources such as coal and uranium as well as minerals in general.

Selection Trust, based in Britain and with mining interests spread worldwide, was an obvious choice.

But the price may well be an exchange for a slice of the Forties Field, the biggest and perhaps richest of the North Sea oil strikes.

John Cavill reports from London that stockbrokers regard the chance of the oil stake as "the cherry on the cake" which swung the takeover deal.

● Page 18 — Charter may get stake in North Sea oil.

Hosken chairman warns of those 'unsound terms'

58

RDM 8/7/80

Financial Reporter

A FURTHER escalation in the intense competition between insurers and between brokers last year and over-capacity in the worldwide reinsurance market has resulted in business being written on unsound terms, says Mr I M A Lewis in his Hosken Cons chairman's statement.

This, he says, is not in the long-term interests of the public or any sector of the insurance industry.

The gross short-term premium income written in the year to March 1980 by I G I, Hosken's principal subsidiary, rose from R39 900 000 to R41 500 000.

Most of this growth was written in Botswana and other countries "which would indicate a generally conservative underwriting approach."

I G I Life Assurance and its subsidiary, Safrican Association, are making very good progress, especially in the black life assurance field.

Last year half of the group's SA broking subsidiary and Industrial Risk Management Service were sold. Hosken, the wholly-owned reinsurance broking subsidiary in London, concentrated in developing its non-South African connections.

The group has acquired control of Cape Trustees and Executors which is a registered general bank. Mr Lewis expects that this will be an important source of profit.

In the year to March 1980, group attributable taxed profit rose to R1 417 000 from R747 000. Earnings a share were 28,7c against 16c, while dividend a share went up from 13c to 14c.

8/8/80 ARGUS

Societies call for black freeholds

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Property Editor

BUILDING societies are now stepping up pressure on the Government to allow blacks to buy and build on freehold land in townships. This follows their reluctance to lend money for houses on the 99-year lease schemes for such townships as Soweto.

The Government, continuing its policy of separate development, has maintained that blacks are temporary sojourners' — even for 99 years — in white South Africa while their roots are in the homelands.

There has been strong pressure from within Government circles recently to recognise the permanence of urban blacks and allow them freehold rights under certain conditions.

But the Government has not yet announced any clear policy.

The building societies want to see serviced plots in townships on the Reef, in Port Elizabeth and elsewhere to build homes for blacks in the same way as had been done for Indians and coloured people, who have freehold rights.

A plea for black freehold rights was made last night by Mr Gordon Chapman, chairman of the Natal Building Society, an Argus correspondent reports from Johannesburg.

Mr Chapman also said that building societies would be willing to inject big money for housing into black homelands provided the Government put up financial guarantees against losses through changes in legislation, legal processes and monetary exchange rates after the homelands became independent.

IGI shows a big boost in profits

STAR 8/7/80 (58)

By Jean Moon

IGI's taxed profits nearly trebled to R1,6m in the year to March.

Mr L Nathan said in the annual report that this rise must be seen against a background of greatly increased competition in all sectors. IGI maintained a middle-of-the-road course with regard to its premium and rating structures, resulting in the rate of growth in terms of gross premium income written being the lowest for many years.

The group made a fire and accident underwriting profit of R945 000 and a life underwriting profit of R204 000, compared with an overall underwriting loss for the previous year of R202 000. Gross investment income for the group rose by R707 000 to R1,6m in spite of the low level of interest rates prevailing throughout the year, which was largely offset by increased dividends received.

Societies ready with 'big money' for black housing

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STAR 8/7/80

A leading building society has appealed to the Government to open up major black townships for housing schemes which would effectively mean the end of the leasehold system and give blacks freehold rights.

The society wants serviced plots in townships such as Soweto, Sebokeng, in the Vaal Triangle, and in Port Elizabeth and elsewhere, to build homes for blacks in the same way as has been done for Indians and coloured people, who have freehold rights.

The plea was made last night by Mr Gordon Chapman, chairman of the Natal Building Society, at the society's annual general meeting.

Mr Chapman also said that building societies would be willing to inject big money for housing into black homelands provided the South African Government put up financial guarantees against losses through changes in legislation, legal processes and monetary exchange rates after the homelands became independent.

Housing was a social necessity which satisfied one of man's deepest urges and in providing it, building societies had a vital role in South Africa's social structure, he said.

Building Societies' ability to provide finance for housing should never be impaired because if it was, "we run the risk of permitting people to become frustrated."

"If more land could be made available to us by the Department of Community Development and local authorities at reasonable prices for all race groups, as has been done on a few occasions in the past, we would be able to make even greater contributions to providing attractively priced housing," Mr Chapman said.

At present blacks can own homes in townships on 33 or 99-year leases but these have had few takers.

Barclays—Bowring planning to wed

RDM 8/7/80

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By DAVID CARTE
Deputy Financial Editor

BARCLAYS INSURANCE Brokers and C T Bowring are negotiating a merger which, if successful, will vie with Price Forbes Federale Volkskas as the biggest insurance broking company in South Africa.

The merger negotiations were confirmed yesterday by the managing director of Barclays National, Mr Bob Aldworth, after a fortnight of speculation in the industry that the country's second and third biggest insurance brokers were to get together.

In an oversupplied broking market that has not grown much in recent years, size has become increasingly important, especially with so much business "tied" to the big holding companies — Sanlam, Volkskas, Barclays and Anglo American.

Industry sources say the merger makes excellent sense, since Anglo American is a big shareholder in both Barclays and C T Bowring.

Not only will a merger simplify Anglo's task in farming out its insurance business, Barclays, they say, can use C T Bowring's international connections and its depth of management.

C T Bowring, on the other hand, might find a connection with Barclays' banking clients, as well as its national spread, useful. There will certainly be immense rationalisation benefits.

According to Mr Aldworth, Bibsal contributed "about R2-million" to Barclays' pre-tax profit of R96 865 000 in the 15-months to end December, while the Anglo American annual report shows that C T Bowring earned R1 300 000 after tax. Bibsal and C T Bowring are believed to employ about 500 people each.

Price Forbes Federale is believed to employ about 1 000 and earn about R7-million pre-tax.

The total short-term insurance market is estimated at R750-million a year, of which brokers control R450-million.

One competitor says PFFV writes about R130-million to R150-million annually — just less than a third of the available market.

The combined Bibsal-CT Bowring operation is expected to take slightly less than this, so smaller brokers, already struggling in the wake of Government's mandatory commission cuts, could find the going even harder in months to come. Further mergers seem likely.

Interbank, enter the travellers' cheques market

It is partly in response to these two payments systems organisations that the "Eurocheque Organisation" has emerged. Legally there is no such thing as the "Eurocheque Organisation" similar to Visa or Interbank

But the reality is that a number of Continental European banks, led by West Germany's mighty Deutsche Bank, run an organisation which today embraces not just the Eurocheque guarantee card system but includes the Eurocard travel and entertainment credit card and the European Travellers' Cheque which is based on the purchase of the T C business of Thomas Cook of the UK

What Eurocheque, Visa and Interbank do demonstrate is that retail banking can and does have much in common all round the world Whether Germans, Japanese or Americans, people the world over have very similar needs when they travel

They want to be able to behave as much as possible as if they have not left their own country, they want to be able to make payments without a fuss or undue delay and they want peace of mind

The payment systems of Visa, Interbank and Eurocheque are, in varying degrees, cashless Yet cash remains the most popular method for payment in all countries

Even in the US, the home of the plastic credit card, the cashless society is still some decades away The greatest change is likely to come with the introduction of point-of-sale terminals in retails stores

Once this happens on a significant scale the advantages of cash over electronic payment systems will probably diminish significantly

Why the banks are beginning to take a keener interest in consumer services

FDM 5/7/80

By Michael Lafferty

IN SEVERAL countries around the world, banks and financial institutions are showing increasing interest in personal or consumer banking services. To some degree this reflects a switch from previously lucrative areas of wholesale banking now that lending margins are almost wafer thin. But to a large extent it reflects new and increasing opportunities in the retail banking market-place, partly resulting from new technology.

As standards of living improve, people tend to save more, spend more, travel more and many borrow money from time to time. All these activities can be facilitated by banking services and systems, especially payment systems such as cheques and credit and debit cards. In the past decade, these systems have crossed national boundaries in order to keep up with consumer demand.

Traditionally, many commercial banks have tended to look on personal banking as unexciting, but a necessary activity to provide a cheap and stable deposit base.

Services such as cheque accounts were provided simply to keep the depositors happy. Such attitudes still prevail in many banks, including one or two of the big British clearers. These banks are finding the process of adjustment to the new world of retail banking very difficult.

Up to 20 years or 30 ago, only a restricted proportion of most countries' populations had savings, or needed the services of banks. Most of today's big commercial banks grew up serving that sector of the population — broadly the middle and upper classes.

As standards of living have improved for the average working man, some commercial banks have responded by extending their services to the whole of the adult population. In many cases, however, commercial banks have remained the banks of the better off members of society.

The gap in the market has been bridged in different countries in different ways. In West Germany, local savings banks have grown up, in France co-operative banks have emerged as a powerful force, and in other countries like Holland, post office based giro systems have been developed on a considerable scale.

Today banking services are available to and are regularly used by almost all the adult population in countries like Germany, the Netherlands, France and the US, in the sense that people have bank current accounts.

Here the UK is a notable exception among developed nations, because only around 55% of the adult population in the UK is banked. This oddity is closely linked with the continued payment of weekly cash wages to 80% of manual workers in the country. But it is also clear that the major British banking institutions have not shown any significant interest in the British worker until now.

There are indications that this may be on the verge of changing. Midland Bank recently became the first of the British commercial banks to launch an advertising scheme specifically aimed at working class people.

Barclays Bank has made it clear that it regards the penetration of the unbanked population as a major priority for this decade. At the same time, increased interest in the British retail banking market has come from US banks like Citibank, Bank of America and First National Bank of Boston.

Altogether, it seems likely that Britain will be one of the most interesting markets in the world for retail banks over the next 10 years.

Citibank, the New York based international bank which ranks about No 2 in the world, provides a remarkable contrast with other commercial banks in the retail banking field.

Until the early seventies it had a profile very much like that of most other big banks in the personal banking area. Corporate and personal services were often sold through the same outlets and by the same people.

All of that changed in 1975 when Citibank decided to make a business of consumer or retail banking. Consumer banking services were then separated and marketed through separate outlets.

An integrated worldwide retail banking division was created with six regions, just as for wholesale banking.

Citibank found that there was a familiar pattern to retail banking around the world. It was able to use experience gained in New York in its efforts to get into markets in Europe and elsewhere.

One of the first actions of Mr John Reed, the man in charge of the whole operation, on taking up his position was to seek a board position with a major US corporation that was heavily retail oriented. He ended up at Philip Morris.

Citibank reckons it is the world's largest international retail bank. A close second may well be Barclays which, apart from its UK operations, is now well-established in retail banking in places like the US, Continental Europe and South Africa.

Typically, most of the big commercial banks of the world are primarily and often solely involved in retail banking in their home markets. But there are several exceptions.

Lloyds Bank of the UK has branch banks with substantial retail business in California and New Zealand. Hongkong and Shanghai Banking Corporation now controls Marine Midland, a bank with a large retail business in New York, and National Westminster is in a similar position, having recently acquired National Bank, of North America, a branch bank in New York State.

Citibank seems to be the only major commercial bank with an international retail banking division based on separated consumer banking services in all market places.

In the UK, Midland Bank is following a similar route in converting its typical bank branches into retail service outlets.

While only a small number of commercial banks have entered retail banking on an international scale, other developments have taken place to make retail bank payment systems international.

The process started with the credit cards of Visa and Mastercharge, each of which originated from Bank of America and Citibank. Today these systems are franchised worldwide on a co-operative basis. They are becoming more than plastic card systems, as both Visa and

Computers may pay the bills

EVERY home will one day have its own computer terminal through which people will be able to do their banking, shopping and bill paying.

Money will be replaced by plastic cards with a magnetic strip storing information relating to its owner.

The introduction of point of sale terminals in supermarkets and other retail outlets is a step towards this electronic tomorrow.

But despite the fact that electronic cash registers are now common sights in many supermarkets the day when they will be connected directly to banks seems a long way off because of the legal and social problems.

continued →

RDM 9/7/80.

NBS out to house all race groups

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DURBAN — Building societies performed the vital function of marshalling the public's savings to provide essential finance for housing, said the Natal Building Society chairman, Mr Gordon Chapman, at the NBS annual meeting.

Mr Chapman believed these savings would have to go further in the future to meet the increasing demand for housing from all sectors of the population.

Mr Chapman said the provision of housing for the coloured and Indian communities was being actively pursued. There had been delays and difficulties in the past in obtaining permits from the Department of Community Development to acquire land for the development of housing for Indians and coloureds. This situation had now improved tremendously.

"If more land could be made available to us by the Department of Community Development and local authorities at reasonable prices for all race groups as has been done on a few occasions in the past, we would be able to make an even greater contribution to providing attractively priced housing."

Mr Chapman reiterated an NBS appeal to the authorities to allow building societies and other private developers to play their part in the provision of housing in black townships like Soweto in the same way they had done for Indians and coloureds.

"We would like to be given the opportunity, after the necessary statutory amendments have been made, to acquire serviced plots in those parts of Soweto and Sebokeng and other townships on the Reef and Port Elizabeth in particular that have been zoned for housing for the middle and upper income blacks."

Mr Chapman said the NBS would readily grant loans to blacks in the black states like KwaZulu if the Government were prepared to guarantee repayment if the society should find itself with an asset in a foreign country once such a State became independent.

Plea for the elderly from Allied chief

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3yrs

RDM 9/7/80

By HAROLD FRIDJHON

THE TIME had come for the Government to liaise with building societies in designing a form of investment tailored to meet the needs of "our senior citizens", said Mr H Weiner in his chairman's statement at the annual meeting of the Allied Building Society in Johannesburg.

Mr Weiner expressed concern for savers and investors in these days of double-digit inflation — and falling rates — and in particular for the older people and pensioners who had been prudent enough to set aside money for their old age only to find that it value was being eroded

"By contrast, those who borrow from building societies on attractive terms repay their loans in 'depreciated' currency and enjoy capital appreciation on their property "

Mr Weiner described this as an ironical situation which called for serious consideration.

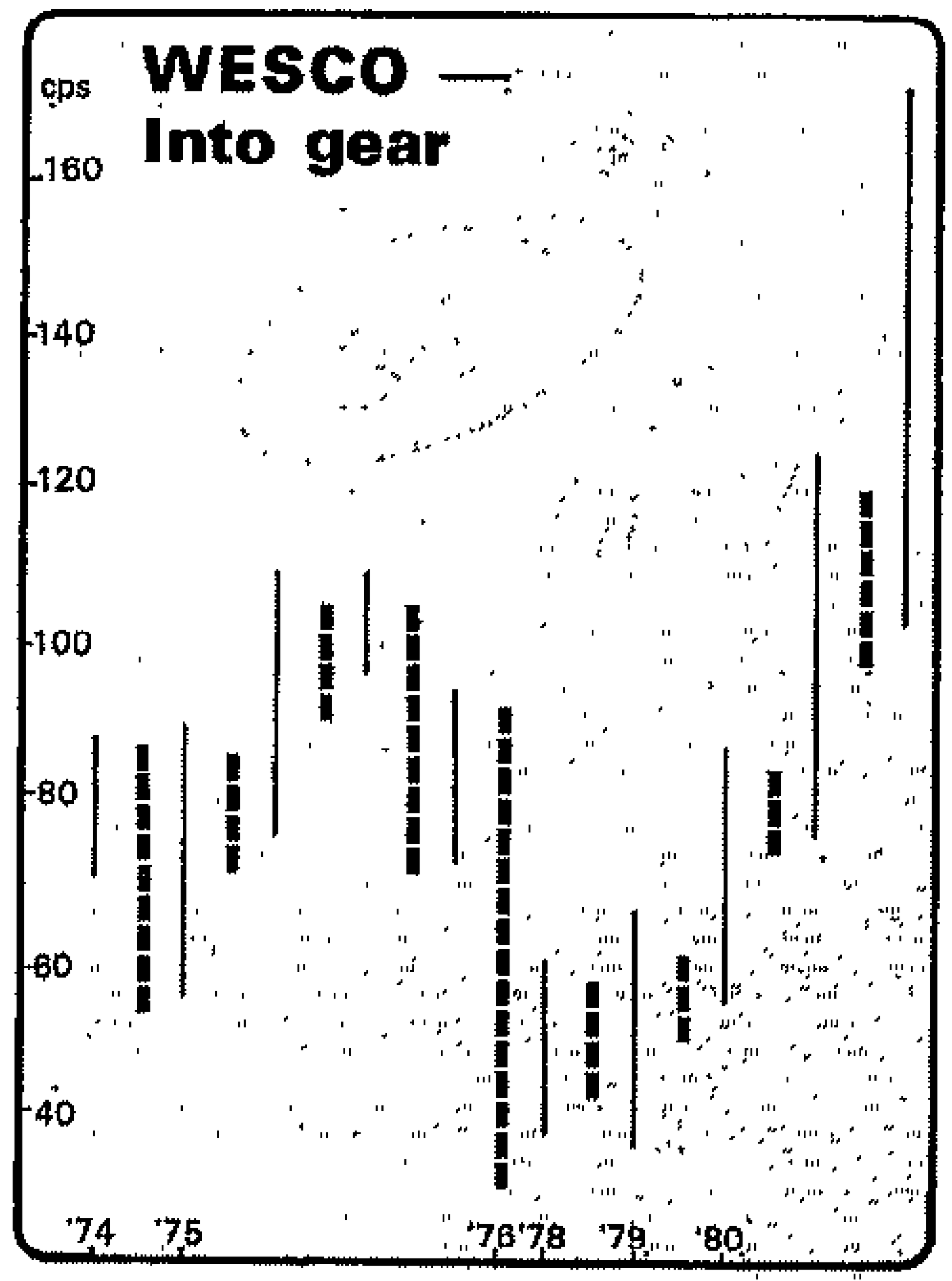
He added· "Ironical, too, is the fact that popular sentiment always seems to be with the borrower This is unfortunate because many investors rely wholly or in part from their investments to meet their ever-increasing living costs "

A pleasing feature of the past year had been that the 99-year leasehold sceheme for urban blacks had got off the ground, but progress was still slow There were a number of reasons for this·

- It would take time before blacks appreciated that the benefits of home-ownership more than outweighed the higher cost,
- Leasehold title had been unfairly and irresponsibly criticised;
- There had been competition from the subsidised less-expensive 30 year houses

Mr Weiner stressed the need to make it possible for building societies to lend safely in black urban areas in the homelands

"I have in mind those [illegible]wnships which geographic[illegible] and economically are p[illegible] of cities, such as Durban [illegible] East London, but which fall within the homelands," Mr Weiner said dividend at year's-end. This additional income would come on top of expected improvements in other areas and Wesco should receive a substantially larger investment income. General policy is to distribute about two-thirds of net income. That could point to a payout of up to 12c for a prospective yield of 7,1%.



WESCO

Fm 11/7/80

All systems go

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Activities: *Investment company with interests in motors, insurance, clothing, banking, engineering and retailing. Holds 49% of Toyota, 49% of Metair, 32% of Rand Life Assurance, 26% of Veka, and 20% of Raylite. Directors have a 70,2% holding in the equity.*

Capital structure: *8,3m ordinaries of R1. Market capitalistion: R14,1m.*

Financial: *Year to June 30 1980. Borrowings: long- and medium-term, R800 000; net short-term, R1,3m. Debt:equity ratio: 12,7%. Current ratio: 0,2.*

Share market: *Price: 170c (1979-80: high, 170c low, 25c:trading volume last quarter, 1m shares). Yields: 4,0% on earnings; 3,8% on dividend. Cover: 1,1. PE ratio: 25,0.*

	'77	'78	'79	'80
Return on cap %	9,2	5,2	9,3	4,3
Investment income (R'000)	660	160	481	722
Gross profit (Rm)	960	414	707	792
Portfolio market value (Rm)	8,1	7,1	7,3	18,7
Earnings (loss) (c)	4,9	(0,6)	4,3	6,8
Dividends (c)	—	—	—	6,5
Net asset value (c)	69	55	62	200

Wesco's 50% increase in investment income last year was due to greatly improved performance of all subsidiaries but one, and even loss-making Ekspa declared a dividend to avoid paying undistributed profits tax on prior years' income. As the group has interests in a number of flourishing sectors, chairman Albert Wessels "shares in the optimism that 1980 and at least 1981 will be years of continued growth." This confidence was underlined by the first dividend paid in four years.

Despite management's caution about oil price increases and local content costs putting pressure on the motor industry's profitability, Toyota sold 44 140 vehicles compared to 38 101 the previous year. The result was a 53% growth in earnings to 115,0c (75,1c) while total dividend for the year rose to 28c (20c). Significant for the current year is the increase in Toyota's total share of the market from 12,5% to 14%, which could secure earnings when the current motor boom runs out of steam.

Clothing subsidiary Veka started to move out of a bad patch as increased turnover, resulting in better utilisation of production facilities, transformed the previous year's R113 000 loss into a profit of R453 000. Although the company failed to pay a dividend, the improvement in consumer demand is expected to boost this year's earnings and bring the possibility of a payout nearer.

The last of Wesco's quoted investments, Metair, reported remarkable earnings improvements from its subsidiaries. But, possibly a little nervous after its 1978 loss, it did not declare a dividend. Airco Engineering turned its previous loss of R397 000 into a R389 000 profit, and as it sells to the building construction and gold mining sectors, its performance this year is likely to follow the positive trend. Automotive component manufacturer Rowen reported earnings of R826 000 (R5 000) and, although largely dependent on the motor industry trends, has continued to diversify.

Remaining investments Raylite and Rand Life Assurance showed satisfactory increases in results, while Ekspa declared a loss of R86 000 (profit R40 000) and is not expected to operate profitably this year.

If positive trading conditions in the economy continue this year, Veka and Metair are likely to feel more confident of sustaining earnings growth and could pay

Financial Mail

FM 11/7/80

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BUILDING SOCIETIES

Case of mistaken identity

Often it is said that there are none so blind as those who will not see. Without wishing to be unkind to this country's building society managers — most of whom are both able and reasonable — it does seem that as a movement they sometimes appear oblivious to the changes that must lie ahead.

For example, two weeks ago a delegation of building society managers gave verbal evidence for the first time to the De Kock Commission of Inquiry into the Monetary System and Monetary Policy. The subsequent whisper from Pretoria is that, through a subtle line of questioning, it was suggested to them that they consider once more whether they wish to become banks or revert to their more traditional role of mobilising personal savings into housing loans.

To be fair, that is not quite the impression the building society men have of their amicable discussions with the commissioners. And they were certainly not faced with as bald an ultimatum on this issue as they were in 1964. But the *FM* is assured that the boot was quietly put in.

Had this been fully realised, it is probably less likely that the chairman of the Natal Building Society, Gordon Chapman, would have warned on Tuesday that the recent increase in certain deposit rates and reduction in mortgage rates only a few months ago could lead to a rise once again in the mortgage rate within six months.

With the country's trade balance in record surplus and the financial system awash with liquidity, how on earth can such a move be justified, as he sought to do, on the basis of the need to add greater stability to the societies' deposit base and to widen their margins?

It is true that the societies were trying to encourage more stable personal savings by using the price mechanism. That is a laudable aim. But surely the deposit rates which attract corporate deposits that are sensitive to competitive interest rate changes should have been cut commensurately? In that event, the societies "profitability" need not have been prejudiced and their deposit base would have become relatively more stable.

Instead, as the societies simply take in more of the deposits they want without discouraging the corporate investor about whom they complain, Chapman's warning suggests that in general society managers still measure their performance not by keeping housing bonds as cheap as possible, but by hogging the most deposits.

Of course, had Chapman justified his warning by pointing to the inappropriate level of mortgage rates in relation to the rate of inflation, he would have been on firmer ground. For money market rates should not be rock-bottom when the inflation rate is 14% a year.

But that is a deficiency in government policy. It does not mean that, within the interest rate structure dictated by Church Square (singularly inappropriate though it may be), the building societies should not endeavour to fund housing as cheaply as possible. And in recent years deposit rates have fallen faster than mortgage rates.

NBS's Chapman . . . mortgage rate could rise

In any event, the question of the stability of the societies' deposit base cuts to the heart of Pretoria's fears about building societies. This may seem irrelevant when listening to the UBS (or some other giant) point proudly at its AGM to further record rises in assets.

But there are men in Pretoria who remember as far back as the early Sixties when the societies appealed to the Reserve Bank for last resort assistance to tide them over a critical deposit flight. Fortunately, the haemorrhage was staunched before they needed to go into the bank. The question remains, nevertheless, if there were to be another scare like Sharpeville, could it happen again?

The societies nowadays tend to be phlegmatic about all that, pointing out that only 22% of their deposits are technically at call, but that in practice as these are savings deposits (in ordinary, special and transmission accounts), they are very stable.

About 25% of societies' deposits are in fixed deposits (with a minimum maturity of one year), although those that come from companies are more sensitive on maturity to competitive interest rates than personal savings. And 53% are in "shares," with a minimum maturity of 18 months.

In Britain, where the societies have adhered to their more traditional role, 98% of their deposits are in the form of personal savings that are remarkably stable and unresponsive to changes in the trade cycle or the balance of payments. That is not altogether true of our societies' deposit base.

Moreover, building societies' savings accounts here are being increasingly used as a type of cheque account In Britain, the velocity of circulation (measured by dividing the sum of debits and credits into total deposits) of this type of deposit is 0.5%. In SA in 1964 it was 2.0% and now it is estimated at about 3.0%.

That is one influence on the societies' ability and growing potential ability to inflate the money supply. This happens in three ways. As societies' loans are not

Nedbank doubts more Budget hand-outs

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RDM 11/7/80

By HAROLD FRIDJHON

TIGHTER control of liquidity by the authorities in 1981 — even to the extent of not including further big tax cuts in the next Budget — is forecast in Nedbank Economic Round-Up.

At present the economy is buoyant. Real personal disposable income recorded last year its biggest growth for a decade. Personal savings were almost doubled, and private spending on fixed investment has begun to increase.

The present strength of consumer spending seems to be solidly based on an improvement in the real financial position of consumers which will receive a further substantial boost this month when the R900-million tax and loan concessions start to take effect.

Consumer spending could rise quite sharply in the rest of the year without personal resources being stretched as they were in 1974; indeed the rapid growth of consumer spending could last well into 1981.

But in the course of next year cyclical forces could slow down this demand and perhaps late this year and early next year, consumers will rely more heavily on credit. This increase use of personal credit is likely to coincide with heavy increased demands from the private business sector for both working and investment capital.

These forces are likely to exert an upward pressure on interest rates.

Increased spending on imports and slower growth in export earnings are likely to produce smaller surpluses on the current account of the balance of payments ("or perhaps even deficits") in 1981.

At the same time, the danger of demand inflation could become greater and the Reserve Bank can be expected to touch the monetary brakes. The Government is likely not to add to rapidly rising domestic demand with further big tax cuts in the Budget of March 1981.

But, says the Nedbank Round-up, the slowdown in the pace of the economy which will follow the tapering off of consumer spending will be relatively mild and short-lived.

One reason for this view is that fiscal policy will not have to be swung around as harshly as in 1976. The Government's financial discipline of the past four years of low State spending and healthy financing will mean that there will be few excesses to correct. In other words, the need for swings in tax and spending policies has been greatly diminished.

Another reason why the next slowdown will be milder than in the past is the soundness of the balance of payments. Exports are on a higher plateau and the gold price is in a higher range.

Further, Sasol II will come on stream in 1981 and import replacement may have reduced South Africa's propensity to import. Another factor is that the large net repayment of foreign loans has left South Africa more creditworthy should there be the need to borrow.

The chances are that the slowdown in 1981 will be short and shallow, a dip in the growth path. But this will depend on the international recession not proving to be too severe and on the acceleration of the domestic money supply being checked. Recent money-supply movements do not portend well for inflation in 1981, says Nedbank.

On the other hand, the bank appears to take the view that the authorities are acting wisely. The Reserve Bank is "intent on a more active control over the liquidity in the economy", using a battery of policy instruments. It could narrow the forward cover discount rate to check growth of the money supply and it could raise the banks' cash reserve requirements, although Dr Chis Stals, the Deputy Governor, has indicated that this would not be used for "fine tuning".

Dr Stals has enumerated five instruments for controlling a build-up in liquidity. These are:

- Selling Government stock on a tap basis.
- Selling Reserve Bank debentures.
- Increasing Treasury bills on offer at the weekly tender.
- Issuing tax tap bills.
- Negotiating swop transactions in long-term Government stock with large investors who want to keep their options open for funds which are destined for long-term investment.

Nedbank Round-up says: "If the central Government is successful in its net use of 'bank credit' while the gold and foreign exchange reserves rise (as they can be expected to do for the rest of this year) and if the Reserve Bank acts successfully in controlling the build-up of liquidity, South Africa should be able to avoid a repetition of its earlier boom-bust cycles."

Free State Development and Investment Corporation Limited

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FM 11/7/80

(Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT, BALANCE SHEET AND NOTICE OF FINAL DIVIDEND

Subject to final audit the abridged income statement of the Company for the year ended 30 June 1980 and the abridged balance sheet at that date are as follows:

INCOME STATEMENT

	Year ended 30.6.1980 R000	Year ended 30.6.1979 R000
Income from listed investments	1 630	763
Royalties and share of net mining profits	172	39
Other income	24	24
	1 826	826
Less:		
Administration expenses	68	63
Net normal income for the year	1 758	763
Add:		
Profit on realisation of investments after reversing provisions for possible losses on future realisation of investments	37	91
Profit before taxation	1 795	854
Less: Taxation	85	—
Profit after taxation	1 710	854
Less:	1 270	544
Interim dividend No. 15 of 10 cents per share (1979: 5 cents)	363	181
Final dividend No. 16 of 25 cents per share (1979: 10 cents)	907	363
	440	310
Add:		
Retained profit at 30 June 1979	3 421	3 111
Retained profit at 30 June 1980	3 861	3 421

BALANCE SHEET

	Year ended 30.6.1980 R000	Year ended 30.6.1979 R000
NET ASSETS:		
Listed investments - at cost less provision for possible losses on future realisations. Market value R27 149 000 (1979: R12 947 000)	5 658	5 222
Unlisted investments and mineral and participation rights	1	1
	5 659	5 223
Loan portion of taxation	3	3
Net current assets	14	10
	5 676	5 236
FINANCED BY:		
Issued share capital	1 815	1 815
Distributable reserve	3 861	3 421
	5 676	5 236

FINAL DIVIDEND NO. 16

A final dividend of 25 cents per share in the currency of the Republic of South Africa has been declared in respect of the year ended 30 June 1980. This dividend together with Interim Dividend No. 15 of 10 cents per share declared in January 1980 makes the dividend declared out of profits for the year 35 cents (1979: 15 cents).

The dividend is payable to members registered in the books of the Company at the close of business on 25 July 1980 and is declared subject to conditions which can be inspected at or obtained from the company's Johannesburg office or the office of the London secretaries (Barnato Brothers Limited of 99 Bishopsgate, London EC2M 3XE).

Subject to the said conditions, payment by the London secretaries will be made in United Kingdom currency at the rate of exchange quoted by the Company's bankers on 11 August 1980, provided that in the event of the Company's bankers being unable to quote such a rate of exchange on that day, then the currency of the Republic of South Africa shall be converted at the rate of exchange quoted by the Company's bankers on the next succeeding day on which such rate is quoted.

Dividend warrants will be posted from either the Johannesburg office or the office of the London secretaries, as appropriate, on or about 22 August 1980.

South African Non-Resident Shareholders' Tax at the rate of 15 per cent and United Kingdom Income Tax will be deducted from the dividend where applicable.

The Share Transfer Books and Register of Members will be closed from 26 July to 2 August 1980, both days inclusive.

By order of the Board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries
per: D. A. FREEMANTLE

Head Office and Registered Office:
Consolidated Building
Corner Fox and Harrison Streets
Johannesburg 2001

Postal address:
P.O. Box 590 Johannesburg 2000

4 July 1980

FM 11/7/80 (58)

FVB

Consolidating growth

Activities: *Industrial holding company with main interests in food, chemicals, electronics and furniture retailing.*
Chairman: *Dr P E Rousseau; managing director: Dr C J F Human.*
Capital structure: *26,9m ordinaries of R1; 875 730 9% A red prefs of 50c; 7,1m 9% B red prefs of 20c; 10m 11,5% C red prefs of R1; 4m 12% D prefs of R1. Market capitalisation: R123,7m.*
Financial: *Year to March 31 1980. Borrowings: long- and medium-term, R87,7m; net short-term, R87,4m. Debt:equity ratio: 48,2%, Current ratio: 1,4. Group cash flow: R47,3m. Capital commitments: R36,7m.*
Share market: *Price: 460c (1979-80: high, 475c; low, 175c; trading volume last quarter, 590 000 shares). Yields: 13,4% on earnings; 4,8% on dividend. Cover: 2,8. PE ratio: 7,5.*

	'76	'77	'79★	'80
Return on cap %	14,1	11,9	11,8†	11,5
Turnover (Rm) ...	175	180	569	730
Pre-tax profit (Rm)	20,4	16,6	37,1	48,4
Gross margin %	16,5	14,3	8,3	9,0
Earnings (c)	35,3	30,9	46,9	61,5
Dividends (c)	19	15	21	22
Net asset value (c)	403	428	635	937

*15 months to March 31
†Annualised

The past couple of years have been marked by a restructuring process whereby FVB has switched emphasis from investment to the holding, wherever possible, of controlling interests in strategic areas of the economy. The effect has been to change the group more into an industrial holding operation, deriving a greater proportion of its earnings from the consolidated results of subsidiaries than was the case previously.

FVB's Rousseau . . . a better breakdown needed

Unfortunately, however, this has not made the group any easier to analyse in terms of the contribution to earnings from the various sectors. One of the main reasons for this is that associates are still not equity accounted, and their contribution to results is therefore limited to dividends generally passed through intermediate holding companies.

The most outstanding example of this is the group's indirect holding in Sentrachem. Although FVB has an effective interest of under 17% in the new Sentrachem (as enlarged by the takeover of Fedmis), dividends from this company contribute by far the greater proportion of the income of the chemical division which, in turn, accounted for 26% of equity earnings.

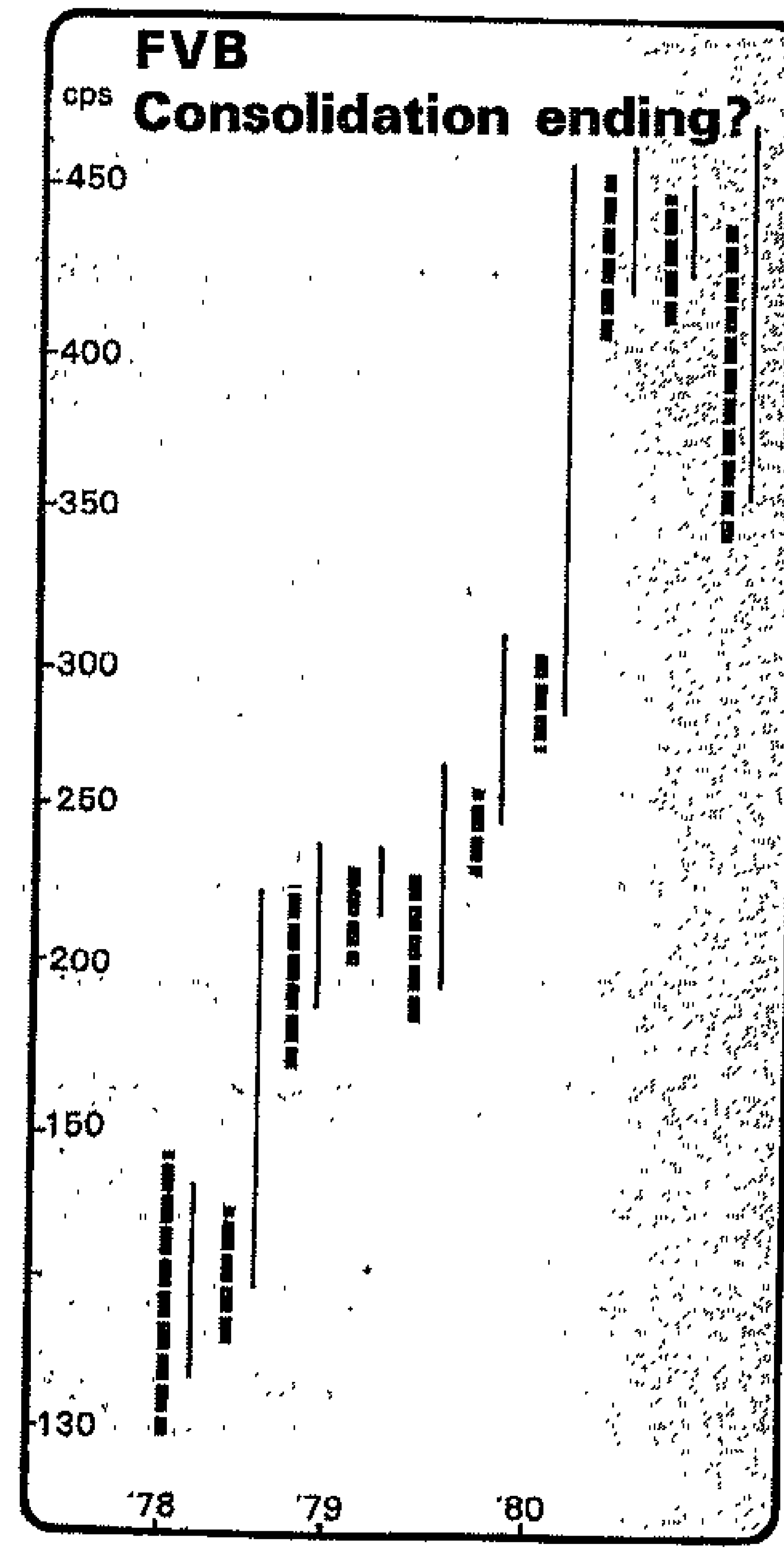
However, as chairman Dr Etienne Rousseau points out, if the group's share of retained earnings of associates were brought to account, total earnings last year would have amounted to 93c instead of the 66c (on the company's calculation) actually reported.

Again, the difference is largely attributable to the retained earnings of Sentrachem. From this it can be calculated that, on an equity accounting basis, chemical interests would represent over 45% of group earnings, almost double the proportion which FVB itself attributes to this activity.

The position becomes anomalous when a company such as Fedfood is also shown to have contributed 26% to group earnings. In this instance, however, this represents the consolidated results of a 59% subsidiary and ignores the fact that Fedfood retained slightly more than half its profits last year.

What seems to be needed, therefore, is a breakdown of the actual cash income accruing to FVB so that the relative importance of its widely diverse activities are more acurately reflected.

There can be no disputing, however, that last year's profit advance was broadly based. Analysis of the results shows that of the R6,7m increase in attributable profits from R9,2m (annualised) in 1979 to R16,1m, 26% was attributable to the food sector, 24% to electronics and the furniture trades and 18% each from chemicals and general industries.



One of the most spectacular improvements was in the electronics and furniture division which boosted its contribution from about R460 000 to R2,1m, a 355% gain. Apart from strong growth in electronics, a major factor here was the turnaround of the loss-making Morkels furniture retailing chain after a complete reorganisation during the latter part of fiscal-1979. The report notes that profitability of this subsidiary should continue to improve this year and, in fact, management is looking to a level "comparable to that of the market leaders" — in other words, a complete recovery of a group which a few years ago did not look as if it would survive.

Other plus factors this year include the first benefit of the Sentrachem/Fedmis merger and the sharp advance expected at Fedfood following recent acquisitions, while a buoyant economy should ensure that the other divisions of the group pull their weight.

Overall, it seems that dividend income attributable to FVB should at least equal the 25% to 30% improvement generally forecast for JSE industrial companies. This suggests that this year's payout could rise by 6% to 28c, yielding a prospective 6.1% at the current market price of 460c.

Km 11/1(58)

KOHLER BROTHERS LIMITED

Report on interim results to June 30, 1980

RESULTS

R000s	*Six months to June 30 1980	1979	% Increase	Twelve months to Dec 31 1979
Turnover	66 050	52 421	26	113 286
Operating profit	11 346	9 011	—	19 710
LIFO adjustment	1 815	1 668	—	2 941
Income before taxation	9 531	7 343	30	16 769
Taxation	3 469	2 820	23	6 444
Net income after tax	6 062	4 523	34	10 325
Preference dividend	15	15	—	29
Attributable to ordinary shares	6 047	4 508	34	10 296
Issued shares (000s)	8 433	8 219	—	8 219
Earnings per share	71,7c	54,8c	31	125,3c
Dividends per share	35,0c	27,0c	—	61,0c
Dividend cover	2,0	2,0	—	2,1

* Unaudited

SUMMARISED CONSOLIDATED BALANCE SHEET

	*30.6.80	%	31.12.79	%
Ordinary shareholders funds	45 440	78	40 209	82
Preference capital	450	1	450	1
Long-term borrowings	10 019	17	6 019	12
Deferred taxation	2 548	4	2 188	5
Total capital employed	58 457	100	48 866	100
Fixed assets	35 195	60	25 620	53
Net current assets	21 109	36	21 093	43
Net excess of cost of shares in subsidiaries over net asset value	2 153	4	2 153	4
	58 457	100	48 866	100

COMMENTS ON INTERIM RESULTS

RESULTS
The profit increase of 34 per cent compared to the first half of 1979 is attributable to higher sales resulting from a continued improvement in business conditions, and further benefits from improved productivity.

FINANCE
Cash flow has benefited from the change to the LIFO basis of inventory accounting and these additional funds have been helpful in funding the current capital expenditure programme. Gearing has improved as a result of increasing long-term borrowings by R4 000 000 and the company has adequate financial resources to take full advantage of the buoyant economy and any rewarding growth or acquisition opportunities.
In terms of the executive share purchase scheme which was approved during January 1980, 214 000 ordinary shares have been issued for R2 177 000 Earnings per share, taking into account the larger number of shares in issue, increased by 31 per cent
A 17% stake in Premier Paper Mills Limited was acquired at a cost of R2 605 000. Premier is a major raw material supplier to Kohler Brothers.

TRADING CONDITIONS AND FUTURE PROSPECTS
Notwithstanding intense competition and the effect of cost escalations, the results for the full year to the end of December are expected to be very satisfactory
The R16 000 000 capital expenditure programme is on schedule and the major part of that expansion programme will be completed and commissioned during the remainder of 1980.

DIVIDEND
The Board has decided to increase the interim dividend to 35 cents per share (1979 – 27c).
B. Landau Chairman
A. G. Crosby Group Managing Director

DECLARATION OF DIVIDEND NO. 50
The dividend of 35 cents per ordinary share declared by the directors will be payable on or about September 26, 1980 to members registered on September 5, 1980. Non resident shareholders' tax will, where applicable, be deducted from dividends. The register of members will be closed from September 8, 1980 to September 12, 1980, both days inclusive

By order of the Board
P. J. Horrocks, Secretary
Braamfontein, Johannesburg
July 3, 1980.

General Mining Union Corporation

5111/R

Boom, boom, boom, says Barclays

RDM 11/7/80

587

Financial Reporter

OPTIMISM continues to be the general business mood in South africa, says the quarterly survey of Barclays National Bank.

The main reasons are:

- Rising salaries and wages, combined with tax reductions from July.
- Increasing consumer confidence.
- Increased spending in the public sector and increased fixed investment in the private sector.
- Full order books and increased use of production capacity.
- A boom in the building industry.

Barclays reports that of all trading customers interviewed in the second quarter, 48% reported slightly better sales compared with the first quarter and 36% said sales had improved significantly.

No fewer than 79% of manufacturers said that production and sales volumes in the second quarter were higher than in the first quarter — a result which suggests that the upswing in manufacturing production is continuing unabated, although it has been going for more than two years.

Most firms still report that they have no plans for new fixed investment in the short run, although all indications are that most must be operating close to full-capacity ceilings.

This suggests that new investment in the economy is still being largely carried froward by the mining industry and by the public sector and that, as in previous upswings, new fixed investment generally will once again be undertaken too late to prevent the current upswing from running into the usual capacity ceiling prematurely, if indeed it does not falter even sooner in the face of the usual skilled labour bottlenecks.

Stocks appear to be adequate

On profit prospects, most firms reported that unit costs were rising. On the other hand, no fewer than 58% also said that their profit margins were increasing, suggesting that prices must be rising as well

Some 71% all firms expected total profits this year would show an improvement on those for 1979.

Barclays says most customers are happy with their cash flows and that debtors are paying their accounts on time.

"The rising demand for bank credit is a reflection of the general acceleration of the rate of economic activity and of import activity in particular," it comments

Respondents to the survey have revised their expectations of both wages and unit costs significantly upwards.

"The sharp acceleration is, of course, indicative of an economy that is fast approaching its full employment and capacity ceilings," warns Barclays.

The inflation rate is also likely to peak at a significantly higher level during this upswing than in the 1973-74 upswing, when it peaked at 15.1% in January 1975 on a year-on-year basis.

As the inflation rate normally lags behind the general business cycle, however, and as the current upswing is likely to reach its peak only next year, it must also be expected that the inflation rate will reach its peak sometime next year and possibly only by the second half of 1981.

Pointer to higher rates

(58)

New loan stocks at par

RDM 11/7/80

By HAROLD FRIDJHON

THE Treasury will issue its two new loan stocks at par. The long-dated loan, which will mature on July 15 2001, will bear a coupon of 9,80% and the short-dated issue, maturing on December 1, 1981, will have a coupon of 5,15%. These rates, which follow market trends, appear to confirm that long-term rates will continue to edge upwards. The lists for public subscription will open on Tuesday.

When these loans, which will redeem maturing Government stock to the value of R525 800 000, were announced last Friday, the Treasury adopted a new practice. It disclosed what the nominal rates would be, but withheld details about the issue prices. These prices, it said, would be announced today and would be at a premium or a discount depending on market conditions.

Last Friday's announcement set gilt-edged rates on the run. Prices of stocks dropped to give a return comparable with the nominal coupons offered on the new loans. All the week RSAs have been trading at 9,80% although premium stocks have been quoted as high as 9,85%. Escoms, that other bell-wether of the gilt market, had been pushed to yield 10,18%.

The Treasury said yesterday that in determining these issue prices, it had taken into account not only its own financing requirements as indicated in the Budget speech but the desirability, from the point of view of monetary policy, of reducing the excess liquidity in the economy.

"At the same time, long- and short-term investors are being afforded the opportunity of making such additions to their portfolios of Government stock as they might deem desirable in view of the existing prescribed investment requirements or for other reasons.

"It should be noted that for those categories of investors which qualify for a commission of 0,125%, the actual yield to redemption in the case of each loan will be marginally higher than the coupon rate of interest."

This means that the 21-year loan will give a yield marginally higher than 9,81% with the short-term issue yielding just about 5,24%.

While the long is virtually spot on with market indications, the 17-month issue looks attractive and might appeal to investors far and beyond those institutions which need short-dated stocks for their liquid asset requirements. It could prove to be a useful short-term refuge for immediate liquidity while those who believe that long-term rates must harden still further wait for 10%-plus on RSAs.

The question, however, is whether the Treasury will be able successfully to roll over the R525-million, not whether it will attract new money at these rates. The aim of the authorities is obviously not to redeem the old loans because the economy certainly doesn't need any additional liquidity.

Perhaps it was this which motivated the Treasury to give the 17-month issue a leavening of sweetness. This week a large quantity of 10-month was traded at 5,10% as a fresh surge of liquidity swept into the economy. The 5,24/25% rate looks good and it is my feeling that this loan will attract most of the rollover money.

I find it hard to believe that the long-dated loan will draw much money because even 9,80/81% will not be attractive to institutions which might have set their sights at 10%-plus. It might gather about R100-million against around R350-million for the short.

That short-term rate is bound to have market repercussions. It appears to suggest that the three-year rate which is ruling at 5,5% is a little on the low side and that 5,75% might be nearer the mark. If the market holds this view, the rate pattern as a whole might be nudged upwards.

What I do expect is that the Reserve Bank will take large chunks of both loans, particularly the long, to dole out in its open-market operations which are aimed at soaking up liquidity. It has sold hundreds and millions of rands of Government stock in the past couple of months, and bearing in mind what the bank paid for the stock and its selling price, the central bank must have sustained a heavy book loss to achieve its end.

Both the Reserve Bank and the Treasury are using the market wisely and although this latest issue might have misfired a little, the Treasury is to be commended for following a course which is in the spirit of the De Kock Commission's philosophy.

JSE share values soar by R35 400m

Sun Times (Bus T) 13/7/80

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By JOHN SPIRA

THE market capitalisation of ordinary shares listed on the Johannesburg Stock Exchange has risen by a staggering R35 400-million during the past 12 months.

The figure has risen by R15 600-million since the beginning of 1980, making the current stock exchange boom the most significant in South Africa's economic history.

Total JSE market capitalisation (that is, the combined market value of all listed ordinary shares) currently stands at R69 334-million.

These are among the figures revealed in a study by Business Times of the market values of JSE-listed securities (see table).

JSE MARKET CAPITALISATION
(R-millions)

	NOW	31/12/79	YEAR AGO
COAL	2 029	1 669	1 295
DIAMONDS	5 531	4 971	3 958
GOLD	21 374	15 547	8 475
METALS & MINERALS	2 738	2 278	1 456
MINING FINANCE	16 127	12 542	6 736
FINANCIAL	3 518	2 899	2 149
INDUSTRIAL	18 017	13 959	9 868
TOTAL	69 334	53 775	33 937

The analysis also reveals that gold shares are now in top spot in terms of market value. A year ago, the total value of industrial shares exceeded the figure for golds by some R1 400-million.

Paradoxically, with the gold price now fluctuating around the $670 mark, the value of gold shares is some R6 000-million more than six months ago, when bullion was close to its $850 peak.

The dominant position occupied by gold shares is boosted by the many mining houses and mining holding companies (categorised in the accompanying table as mining fincance) that have a substantial collective stake in gold mining stocks.

Together, gold and mining financial shares account for 54% of the total market capitalisation of the JSE.

And if this figure is added to the value of other mining shares, the ratio rises to 69% — suggesting that the JSE has not strayed all that far from its embryo stage when almost every listed security was mining-orientated.

The significance of the present stock market boom is that it has encompassed each and every category of the listed shares — unlike the 1969 boom, which was confined purely to industrial shares, and unlike its 1974 counterpart, which embraced only gold shares.

It is a consideration which adds credibility to the peak prices at which shares are changing hands.

Building society: let us buy land in black areas...

SUNDAY POST Reporters

THE opening of black areas for development by building societies would cut down on the housing backlog and would create stability in the country, a building society executive said this week.

Mr Gordon Chapman, the Natal Building Society chairman, said the opening of such areas would give black people a stake in the country.

And help housing backlog

Mr Chapman called on the Government to allow building societies to buy land in black townships for development.

"Although substantial advances have been made in black housing, I do not think the houses provided are adequate," he said.

Building societies had made certain approaches to the Government on the matter, but legislation does not allow white companies to purchase land in black areas.

"We are not permitted to buy land in black areas and we would like to see change so we are able to do so, or service plots for development," Mr Chapman said.

He continued: "I believe that every person in the country should have a stake in it, like owning his own house which would be valuable to him. This would also be a stabilising factor."

His company, he said, had given individual loans, especially to people in the Transvaal, for home schemes.

In Soweto alone, there are 15 000 people on the housing waiting list, and last year, 170 houses were built. But these were for purchase, not for rental.

Mr Chapman said building societies were also prepared to finance housing development in the homelands, but only if they could get a guarantee from the Government on the repayment of loans given.

"We cannot, for instance, give loans for development in KwaMashu because it is in KwaZulu. We don't know what would happen to our assets should it become an independent state," he said.

He added: "Chief Gatsha Buthelezi has stated that he will not go for independence, but we don't know if he will always be there or if his views will change."

SP 13/7/80

14/7/80 ARGUS

(58)

Investment R25 000-m — Horwood

Argus Correspondent

PRETORIA. — About R25 000-million of foreign capital is invested in South Africa, the Minister of Finance, Senator Owen Horwood, said in Pretoria today.

Speaking at a Press conference after his return from a visit to Europe, Senator Horwood said this huge investment came from a number of European countries and America and Canada.

He said he expected the investment to increase in the near future.

Leading world bankers and the interntional community realised that in spite of recent unrest, there was more stability in South Africa than in other parts of the world,' Senator Horwood said.

Proof of this confidence was that a public bond issued launched by South Africa overseas was oversubscribed by about 25 percent.

'We can be sure industrialists and investors abroad will be taking increasing interest in South Africa in the months ahead,' he said.

HIS ORDEAL

Senator Horwood disclosed that he had eight working lunches eight working dinners and two working breakfasts in the interests of South Africa during his trip to Switzerland, West Germany, Austria and France.

His gastronomic ordeal covered six cities — Zurich, Geneva, Vienna, Munich, Frankfurt and Paris.

In two weeks, Senator Horwood had more than 45 formal engagements with various Ministers, politicians, bankers and industrialists, and he covered more than 30 000 km.

FRINGE TAX

Senator Horwood told the conference that his proposed fringe benefits taxation, would be introduced next year, but possibly in a slightly revised form.

His department was still discussing the draft Bill.

GROWTH RATE REACHES 6,7 PERCENT

15/7/80

58

Financial Editor

AFTER last year's long run-up, the economy took off in the first quarter of this year and experienced its strongest growth since the early 1970s, figures issued by the Department of Statistics show.

The department's economists report that the gross domestic product rose in real terms by 1,6 percent, which is equal to 6,7 percent at an annual rate.

They also report that there was a substantial increase in consumer income and spending and in company profits. Equally encouraging, private investment, which has been lagging for some years, at last showed a significant increase.

With the exception of agriculture, where the value of output declined by 3,6 percent, all the major groups had a positive growth rate in the first quarter.

Manufacturing output, which has been rising since the first quarter of 1978, continued to accelerate.

After rising by 2,7 percent in the September quarter last year, and by 3,0 percent in the December quarter, it rose by 3,9 percent in the March quarter this year.

For the non-agricultural sector as a whole the growth rate in the March quarter was 2,2 percent or 9,1 percent at an annual rate.

This compares with 3,6 percent for the past 12 months.

The sharp increase in real private consumption in the December quarter was maintained in the March quarter this year, when it rose by 2,6 percent, which is equal to a 10,8 percent increase at an annual rate.

AGRICULTURE

Real gross domestic fixed capital formation in the private sector increased by 4,4 percent in the March quarter. In the same quarter last year it had fallen by 8,4 percent.

Investment in agriculture rose by 9,8 percent and in manufacturing by 9,7 percent.

In contrast real expenditure by the public sector on fixed capital good decreased by 13,5 percent in the first quarter of this year, the public corporations being mainly responsible.

MR LOUIS KRIEL, above, has been appointed general manager of the Deciduous Fruit Board, succeeding Dr N A B Bestbier, who retires after 20 years as head of the board. Mr Kriel has been export director of Oude Meester group since 1975.

ROM 15/7/80.

Now name is Yorkcor

Financial Reporter 58

KATZENELLENBOGEN, the timber and property-owning company which is listed on the JSE in the building section, is to change its name to the York Timber Organisation (Yorkcor).

Shareholders will be asked at a general meeting on July 31 to approve the proposal.

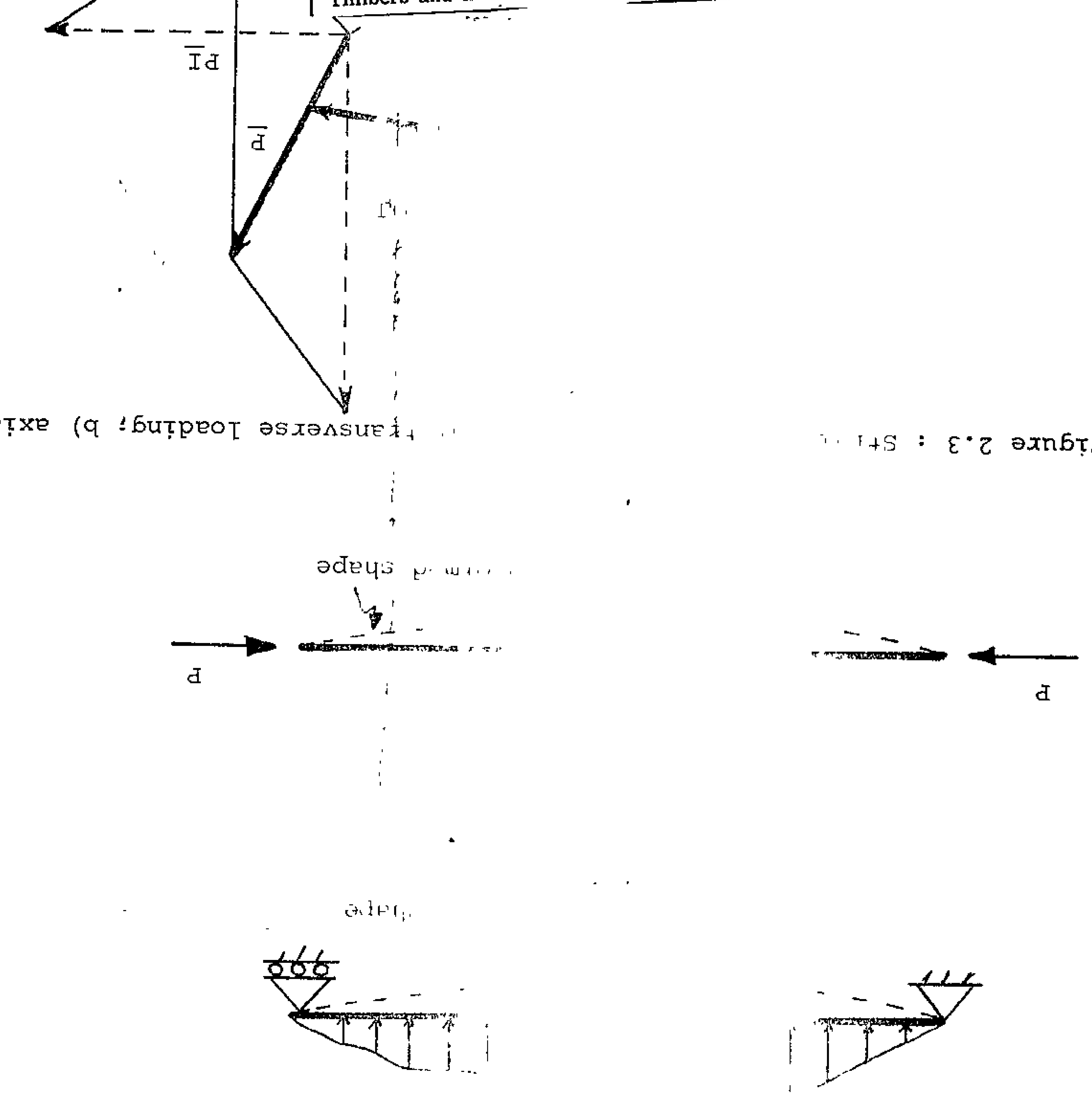
The reason for the change is that the proposed new name reflects more appropriately the company's main activities and objectives.

The main subsidiary is York Timbers and in an internal restructuring of the group all trading, milling, industrial and commercial activities will be undertaken by York which is a 100%-owned subsidiary.

Nine companies within the group own properties. Seven of these will be owned by a wholly-owned subsidiary, Inland Industries which will become Inland Realty.

Two of the companies which are not wholly owned are participating in a development scheme which will be managed by Inland.

Three surplus companies will be de-registered.



IGI set for another good year

58

ECON 15/7/80

INCORPORATED General Insurances expects another good year up to end March 1981, chairman Mr L Nathan said in the annual report.

He said all buildings are now fully let at the right rentals and all three insurance companies in the group have made great strides in developing the black market.

Taxed profit in the year ended March 31 totalled R1 700 000 (R544 000), while dividends amounted to 8c (7c) and earnings per share 27,6c. (7,5c). — Reuter.

RDM 15/7/80

Nedbank could gain on sale of Rhobank

58

By DAVID CARTE
Deputy Financial Editor

IF EXPLORATORY talks with Bank of America are successful, Nedbank could become the first large South African company to sell off a Zimbabwean subsidiary since Mr Mugabe's Government came to power.

Mr Rob Abrahamse, chief executive of Nedbank, told Business Mail that Nedbank "has talked" to Bank of America about selling Rhobank, its 62%-owned Zimbabwean subsidiary, but discussions had "not yet reached the negotiating stage".

He said Bank of America had initiated the discussions.

With 30 branches nationwide, shareholders' funds of Z$18 500 000 and total assets of Z$228-million, Rhobank is the third biggest bank in Zimbabwe. Nedbank consolidates it but Rhobank represents less than 5% of Nedbank Group's profits and assets. Nedbank had shareholders' funds of R124-million, total assets of R3 719-million and earned R47 393 000 after tax in the year to end September 1979.

Banking observers said, if a sale is clinched, it would probably be beneficial to Nedbank, which, in recent years, has received only a small dividend from its relatively large Zimbabwean investment.

Nedbank, observers said, would "not give Rhobank away". They pointed out that setting up a similar sized operation with total deposits of Z$170-million and advances of Z$131-million would cost Bank of America " quite a few millions".

Rhobank made Z$3-million in the year to September, 1979 and in the six months to end March 1980 earnings were 8% ahead.

The forecast was that earnings would be maintained at the year end. Last year earnings a share were 42c and the dividend was 23c, which, on Nedbank's 4 552 000 shares, translated into a dividend of Z$105 000 for Nedbank.

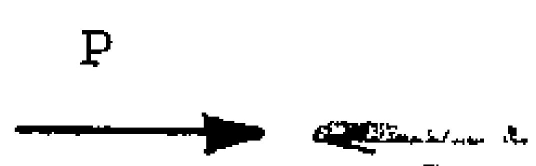
Banking sources in Johannesburg point out that past performance was achieved despite sanctions and the war. Peacetime prospects in a country with international links again meant that past profits would have little bearing on a price for Rhobank.

Rhobank is valued in Nedbank's books at Z$7 342 000. The share stands at 465c on the Salisbury Stock Exchange. This values Nedbank's stake at more than Z$20-million, so a capital profit of at least Z$13-million is indicated.

Such a profit would not affect the income statement but would bolster Nedbank SA's reserves. This would enhance its already substantial capital surplus, enabling Nedbank to write more business and, if it felt so inclined, to be more generous with dividends.

There should be no problem repatriating the proceeds of any sale. Bank of America could pay Nedbank in US dollars with minimal reference to the Zimbabwean authorities.

There seems little doubt that a successful deal would add to the Nedbank share price.



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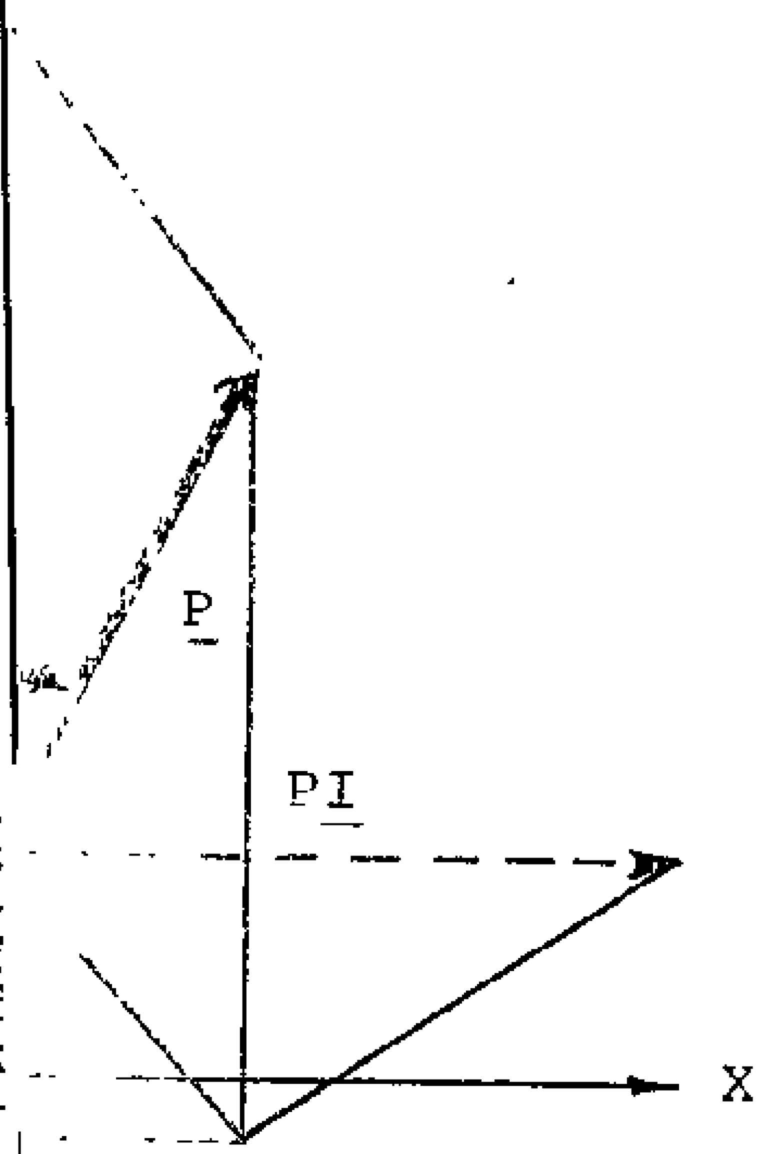


Figure 2.4 :

Anglo fund to spend R5-m on new technikon

STAR 16/7/80 (58)

By Elizabeth Wilson

Half of this year's R8-million Anglo American and De Beers Chairman's Fund is to be allocated to pioneer projects.

This was announced by Mr H F Oppenheimer in his chairman's statement for 1980.

Mr Oppenheimer said the largest project to date was the Mangosuthu Technikon — the first college of advanced technical education for blacks. This would cost more than R5-million.

STUDENTS

Situated near Durban, the technikon opened its service buildings last year on a limited scale and enrolled a further 50 students at the beginning of this year.

The main buildings will be ready by the end of this year and it will be possible to enrol a substantial number of students in 1981.

Thereafter it will build up rapidly to a planned enrolment of 500.

All students are working and their attendance at the technikon is sponsored by their employers who take responsibility for their practical training.

In Lebowa the fund has agreed to provide the building for an agricultural high school.

This school will prepare pupils for matriculation, qualifying them to enter university in any faculty. It will also offer theoretical and practical agriculture.

The fund has provided money for the University of the Witwatersrand to establish a special in-service training course for Soweto primary school teachers.

This was aimed at improving the teachers ability to give instruction in English.

CLASSROOMS

In response to an appeal from Jabulani Technical High School the fund is to provide an additional 16 classrooms which will eliminate overcrowing and increase 1981 enrolment from 800 to 1 000.

Other charities concerned with the relief of poverty, whether material, educational or social, will also benefit from the fund.

● Page 21: Mr Oppenheimer calls for remodelling of education system.

BACKGROUND

Mr O's call for urgent change

STAR 12/7/80

58

By Elizabeth Wilson

The Chairman of the Anglo American Corporation, Mr Harry Oppenheimer, has called for an urgent and fundamental remodelling of the country's educational system to provide equal facilities for all within an agreed period.

Mr Harry Oppenheimer . . . Government must act now.

In his chairman's statement for 1980, Mr Oppenheimer says it is essential that the Government go "much further than its present generalised expression of intent" as regards educational reform.

It should commit itself to the achievement of equal educational facilities for all, not in an undefined future, but within an agreed period which, he said, should be "as short as is practically possible."

"This," he predicted, "will still not be sufficient to difuse the simmering crisis in regard to black and coloured education. It will also be necessary for the Government to give practical evidence of its goodwill by taking immediate steps to improve the situation.

Mr Oppenheimer said all universities, technikons and training colleges should be opened on proper conditions to students of all races.

Standard matric

"Then," he said, "it should certainly be possible within a comparatively short period to achieve a single standard matriculation examination to be written by students of all races."

There could, he said, surely be no insurmountable difficulty in the way of moving rapidly to parity in the pay of teachers with equivalent qualifications.

A commission now to inquire into the whole education system should have been appointed long ago said Mr Oppenheimer, but at least it was "better late than never."

It was to be hoped that out of this inquiry would come a clear programme, with a definite time schedule attached to it.

Underlining the magnitude of the task, Mr Oppenheimer said to achieve the overall ratio of one teacher to every 35 pupils, 200 000 qualified teachers would be required compared with the 64 000 there are at present — an increase of 212 percent.

He said it had further been calculated that, to meet the objectives of equal education for all, expenditure on education as a percentage of the gross national product (GNP) would have to be increased from the present figure of approximately four percent to about 13 percent.

Acute shortage

He also stressed the acute and growing shortage of skilled workers as the most important problem facing South African industry.

An estimated 100 000 jobs remained unfilled because the necessary trained workers to fill them were unavailable.

"This situation," predicted Mr Oppenheimer, "must rapidly worsen as the economic expansion gathers momentum."

It was obvious the great and growing need for trained men could not possibly be met from the white population alone — nor from the white, coloured and Indian populations together.

Mr Oppenheimer said that in addition to the current educational system being heavily weighted in favour of whites, perhaps equally important was the heavy weighting of the system towards academic, as distinct from technical, education.

12 — (Bias illustrated)

He said that within this system the bias against technical education for blacks was strikingly illustrated.

While blacks made up 64 percent of all pupils receiving primary and secondary education, only nine percent received technical training at secondary level and an almost negligible 1,7 percent of technical students — 400 out of 24 000 — at a tertiary level.

Mr Oppenheimer added that it was of urgent importance to open up opportunities for blacks to work and compete on equal terms. The Government was rightly relying on this system to take the lead in expanding the economy.

He said the Prime Minister had last year given the country good reason to look forward to a great programme of reform, and he "rightly linked this with the growth of private enterprise, the ending of racial discrimination and his new policy of a constellation of states as parts of one co-ordinated strategy."

But despite the success of the Prime Minister's meeting with leading businessmen in Johannesburg last November, Mr Oppenheimer felt it to be "idle to pretend" that significant progress had been made towards realising the hopes that were raised then.

"The mobility of black workers," he said, "is still obstructed by a maze of laws and regulations and the apparent mobility of coloured and Indian workers is often frustrated by the lack of housing in areas where their skills are required.

Mr Oppenheimer said the Prime Minister in particular had to bring the electorate to recognise — as foreign investors clearly did — that racial discrimination and free enterprise were "basically incompatible." Failure to eradicate one would ultimately result in the destruction of the other.

Mr Oppenheimer warned: "Time is running dangerously short and if our problems are not faced now they will have to be faced in a much aggravated form in the future."

17/1/80

UPTURN WILL LAST 2 YEARS — BANK CHIEF

Argus

58

Argus Correspondent

DURBAN. — The Nedbank group expects South Africa's current upturn to last at least another two years, the managing director, Mr R J N Abrahamsen, said here.

Addressing city businessmen, he painted an extremely bullish picture of the economy, with:

- Real gross domestic product increasing at an annual rate of five percent — or eight percent when agriculture is excluded.
- Real personal disposable income rising even more rapidly than last year — which saw the biggest jump in a decade and was marked by a doubling of personal savings.
- A substantial rise in private sector fixed investment coupled with higher employment rates and a rise in private consumption expenditure.
- Another boost pending from the R900-million in tax concessions which will pour through the economy.

CYCLICAL FORCES

Mr Abrahamsen said doubts about the future of the economy were being given too much weight.

It was true normal cyclical forces would now slow consumer spending, export earnings would be less noticeable, the balance of payments current account surplus would diminish (and could in 1981 record a minor deficit) and demand inflation may force the Reserve Bank to touch the monetary brakes.

However, any slow-down would be mild and short-lived.

Fiscal policy would not have to be swung around sharply — it already contained the appropriate 'mix' of growth with financial discipline.

The economy was well balanced, the major public sector bodies were charging 'broadly' the appropriate prices for their goods and services, and the balance of payments was fundamentally sound.

Good year for Reinsurance Un

58 RDM 17/7/80

Financial Reporter

ACCOUNTS for the year to December 1979 of the Reinsurance Union, in which most leading South African insurance companies hold shares, reflect another successful year.

In his chairman's review, Mr Gerry Muller says that the last year was one of growth with net premiums written increasing by R3 500 000 over the previous year. This growth, he says, was partly the result of a decision to retain more business for the company's net account.

The underwriting results in the fire and accident account continued to be profitable. The company was fortunate in avoiding most of the year's catastrophes, but it was involved in the large loss at Rossing in SWA and in the Nicaraguan earthquake.

The marine and aviation account did not show a significant increase in net income, but this was the result of a conservative underwriting policy because marine business was going through a difficult period.

Underwriting for all departments showed a profit of R284 000 from total premium income of R16 500 000. Investment income was 12% higher at R1 113 000.

Mr Muller reiterates the warning from other leaders in the short-term insurance field that the overcapacity in insurance markets is resulting in rating reductions and, to some extent, to a lowering of underwriting standards which will impair underwriting results.

Anglo American Corporation

We must recognise, as foreign investors clearly do, that racial discrimination and free enterprise are basically incompatible and that failure to eradicate the one will ultimately result in the destruction of the other — MR OPPENHEIMER

FM 18/7/80

58

In his annual statement to shareholders Mr H.F. Oppenheimer said, in part:

Record profits of R306,6 million

The higher gold price, together with the general upswing in the South African economy, resulted in record profits for the Corporation. Equity earnings for the year to March 31 1980 were R306,6 million, or 136 cents per share compared with R202 million, or 90 cents per share in the previous year, an increase of 51 per cent. If the Corporation's share of the undistributed profits of the companies in which it and its associates hold in aggregate 20 per cent or more of the equity were taken into account, the estimated total earnings for the year would be 260 cents per share, compared with 184 cents for the year to March 31 1979. Ordinary dividends for the year totalled 70 cents per share, equivalent to 51 per cent of the declared earnings or 27 per cent of the estimated total earnings, and exceeded the previous year's dividend by 52 per cent.

Training and education

It is to my mind essential that the government should go much further than its present generalised expression of intent in regard to educational reform. It seems to me that it should commit itself to the achievement of equal educational facilities for all, not in some undefined future but within an agreed period which should be as short as is practically possible. This alone will not be sufficient to defuse the simmering crisis in regard to black and coloured education. It will also be necessary for the Government to give practical evidence of its goodwill by taking immediate steps to improve the situation. For example all universities, technikons and training colleges should be opened on proper conditions to students of all races. Then it should certainly be possible within a comparatively brief period to achieve a single standard matriculation examination to be written by students of all races. And there could surely be no insuperable difficulty in the way of moving rapidly to parity in the pay of teachers having equivalent qualifications. A commission is now to enquire into the whole education system. It should have been appointed long ago but late at least is better than never and it is to be hoped that out of this enquiry will come a clear programme, with a definite time schedule attached to it, for the elimination of this major cause of resentment and unrest among the black and coloured communities.

I have thought it right to discuss these educational issues at some length not only because they threaten to prevent the rapid and peaceful development of the country, but also because an acute and growing shortage of skilled workers is the most important problem now facing industry. The shortage of skilled manpower, is threatening to reach crisis proportions and is generating a high level of 'cost-push' inflation. It is here that South Africa's educational and economic problems come together and we cannot expect a satisfactory solution to be found in the terms of any budget, however judiciously drawn, but only in a fundamental change in government policy. The shortage of skilled men of course causes unemployment amongst the unskilled, and according to a recent estimate well over 100 000 jobs are at present unfilled because the necessary trained workers are not available. This situation must rapidly worsen as the economic expansion gathers momentum and it is obvious that the great and growing need for trained men cannot possibly be met from the white population alone, nor from the white, coloured and Indian populations together. Obviously there is an urgent need for more trained blacks. The current educational system is as is well known heavily weighted in favour of the whites. On average expenditure per head on the education of white students is more than ten times that spent on black students and three times that spent on coloured and Indian students.

Perhaps equally important is the heavy weighting of the whole educational system towards academic as distinct from technical education — a bias which applies to all population groups but which affects the blacks much more than the others. The bias is strikingly illustrated by the fact that while blacks make up 64 per cent of all pupils receiving primary and secondary education they account for only 11 per cent of university students, only nine per cent of those receiving technical training at the secondary level, and an almost negligible 1,7 per cent of technical students — 400 out of 24 000 — at the tertiary level. These figures make it plain that in order to solve the two major problems of the South African economy, inflation and unemployment, both of which are due in large part to a shortage of skilled men, a fundamental remodelling of the educational system is urgently required.

Competition on equal terms

Educational reform inevitably is a long-term process and in any case there is nothing whatever to be said for training blacks to undertake work in the economy which under our present dispensation they are not going to be allowed to undertake. What is important, and urgent, is to open up opportunities for blacks to work and compete on equal terms with whites and the other racial groups in the private enterprise system on which the Government is rightly relying to take the lead in expanding the economy. This implies major economic, social and political changes. Last year the Prime Minister gave the country good reason to look forward to a great programme of reform and he rightly linked the growth of private enterprise, the ending of racial discrimination, and his new policy of a 'constellation of States' as parts of one co-ordinated strategy. Certainly it is true that none of these objectives can be achieved in isolation from the others. The Prime Minister's meeting with leading businessmen in Johannesburg last November to discuss these matters was a success and inspired great confidence among the business community. Unfortunately, however, it now appears that too many people in the Government services — if not in the Government itself — are inclined to interpret the new policy not as one of relying on the free enterprise system as such, but rather as an effort to associate leaders of the private sector with the implementation of policies laid down by the Government. Perhaps the business community at the time of the Prime Minister's meeting was unrealistic and expected too much

Financial summary

Earnings and dividends

	Year to March 31 1980	1979
Equity earnings	R306,6 million	R202,0 million
Earnings per share	136,1 cents	90,2 cents
Dividends per ordinary share	70,0 cents	46,0 cents

Consolidated balance sheet

		31.3.80 R million		31.3.79 R million
Capital and reserves		1 154,4		1 000,0
Loan capital		131,4		146,3
Life insurance funds		690,3		570,4
Outside shareholder interests		112,8		103,4
Loans		1 590,8		609,4
Dividends declared and payable after March 31, 1980		113,8		72,8
		3 793,5		2 502,3
General investments:				
listed ....market value	5 058,2	1 012,4	3 071,4	747,5
unlisted .....directors' value	364,9	118,0	314,5	131,4
	5 423,1	1 130,4	3 385,9	878,9
Life insurance investments		787,8		678,9
Fixed assets		47,1		39,1
Leasing assets and instalment debtors		21,0		23,3
Loans		326,0		266,6
Cash		1 370,4		547,8
Other assets less other liabilities		110,8		67,7
		3 793,5		2 502,3

The combined value of the companies that the Corporation administers and of the direct interests that it and its administered finance companies held at March 31, 1980 was R11 000 million.

too quickly. Certainly it would be idle to pretend that significant progress has yet been made toward realising the hopes that were then raised.

Obstacles to participation

Apart from deficiencies in education, there are other major obstacles to the full participation of blacks in the free enterprise system. The mobility of black workers is still obstructed by a maze of laws and regulations, and the apparent mobility of coloured and Indian workers is often frustrated by the lack of housing in areas where their skills are required. While it is certainly true that important measures of labour reform have been carried through, notably the extension of trade union rights to South African migrant workers and the opening of apprenticeship to all races, their positive effect is often blunted by what appear to be concessions to prejudice — in this instance by the decisions not to allow workers to associate in non-racial unions as of right, nor enable apprentices to train in common institutions, for common qualifications that would be recognised as such, unless separate facilities are not available. In regard to housing and the development of black urban areas generally, while some progress has been made the Government and local authorities are still very far from drawing, and acting upon, the conclusions which logically flow from their own acceptance of the fact that blacks are and will remain a permanent part of the population of our great cities. If the black towns are to prosper, and cease to be economic dependencies of the State, then the same market forces that developed the white areas, and provided housing for their inhabitants adequate in number and variety, should be allowed to operate in the black areas too, and black entrepreneurs, traders and householders should enjoy the same commercial and property rights that are regarded as natural and self-evident in the case of whites.

I certainly do not wish to imply that I have lost faith in the goodwill of the Prime Minister or in his determination to carry through the programme of reform to which he has in general terms committed himself, nor do I underrate the difficulties that he faces in bringing about such fundamental changes in what too many whites are inclined to think of as the South African way of life. In particular he has to bring the electorate to recognise — as foreign investors clearly do — that racial discrimination and free enterprise are basically incompatible, and that failure to eradicate the one will ultimately result in the destruction of the other. Time is running dangerously short and if our problems are not faced now they will have to be faced in a much aggravated form in the future. We are at least fortunate in that the sound condition of the economy, and the growth in the national income which now can be expected, makes it possible to deal with these matters under material circumstances that are much better than could, until quite recently, have been envisaged.

Social responsibility

This year, thanks to the generally increased profitability of the companies that contribute to it, the Anglo American and De Beers Chairman's Fund has some R8 million at its disposal. Approximately half this sum is as usual being devoted to charitable activities in the conventional sense, and in that regard there can scarcely be any aspect of South African society with which the Fund is not in one way or another involved in the relief of poverty whether material, educational or social. The balance of the Fund is used for special projects, principally to pioneer new methods or demonstrate new lines of development in broad socio-educational fields. This year that work has been dominated by the Mangosuthu Technikon, near Durban, the first college of advanced technical education for blacks, and which at an establishment cost exceeding R5 million is very much our largest project to date. Experience so far has borne out our confidence that there are black students fully capable of being trained as technicians at a high level, and that there are many employers anxious to support the training of such people and to employ them when they have qualified. We are also confident that if the existing technikons in South Africa are in due course opened to students of all races the need for Mangosuthu will not in any sense fall away. There is a severe shortage of technicians in the country, and additional training facilities are in any case needed. Moreover in our society there will always be a place for an institution, which while open to all races, considers that its primary responsibility is to black students. This is what we hope Mangosuthu will ultimately be.

We have supplied the funds which enabled the University of the Witwatersrand to respond to a request from the Department of Education and Training to provide a special in-service training course to teachers in Soweto primary schools to improve their ability to handle English as a medium of instruction. In response to an urgent appeal from Jabulani Technical High School, the leading technical school in Soweto, we are providing sixteen additional classrooms which will enable it to eliminate over-crowding and increase its enrolment in 1981 from 800 to 1 000 pupils.

The full text of Mr Oppenheimer's statement and the Corporation's annual report are obtainable from Consolidated Share Registrars, 62 Marshall Street, Johannesburg 2001.

58

REMBRANDT

Retentions grow

198

FM 18/7/80

Possibly the most significant aspect of the Rembrandt's 1980 results was the improved level of profitability achieved, relative to funds employed.

For Remgro itself, the net return on equity funds increased by almost two percentage points from 14,6% to 16,4%, while the other three listed companies — Rembrandt Beherende, Tegkor and TIB — all of which derive their income from the same basic source, showed similar gains.

This was the first time since 1976 that there has been any material improvement in this ratio, indicating that the group is in fact responsive to the general economic environment. A definitely humanising thought, as one often gets the impression that Anton Rupert's behemoth simply rolls on, oblivious to all around it.

There was, however, a marked slowdown in profit growth during the second half, probably attributable as much to the strengthening of the rand as to deteriorating economic conditions overseas and the effects of this on the group's foreign-based earnings.

Excluding the retained profits of associates, the growth rate dropped from 71% in the first half to 48% in the October-March period, notwithstanding the R75m the group received as a result of the liquor industry rationalisation. And with a lower contribution from associates (particularly Rothmans International) — again more marked in the second half than in the first — the growth rate in total consolidated earnings slipped from 39% in the first six months to only 19% in the second.

Not that dividends are likely to have been affected by any of this. Analysts tend to waste a lot of time trying to relate dividends to earnings, and in the process

REMBRANDT GROUP RESULTS

	Year to March 31 1980					
	Earnings c				Dividends c	
	A		B			
Remgro	227	(179)	149	(95)	30	(25,5)
Rembr Beh	168	(132)	110	(70)	21,9	(18,7)
Tegkor	147	(115)	19,1	(18,2)	18,9	(16,1)
TIB	153	(120)	20,5	(17,9)	18,9	(16,1)

A) Including associates.
B) Excluding associates

they overlook the obvious: that payments depend largely on what management considers appropriate. For the year to end-March, it was apparently decided that an 18% improvement in the Remgro total would be appropriate. This, in turn, dictated policy further up the line in the holding companies.

But while the 18% gain is better than the 13% increase which shareholders received in 1979, it is distinctly unexciting by present-day standards. The only virtue is that the very high retentions within the group mean that management can continue increasing the payout even if earnings stagnate.

Current dividend yields of between 4,2% and 4,5% for each of the four companies are a shade below the industrial market average and reflect the blue-chip status of the group. With inflation expected to remain high, it is probably reasonable to look to a further increase of about 18% in dividends this year, which would raise prospective yields to between 5% and 5,3%.

Brian Thompson

NEDBANK RDM (58)

Selling Zimbabwe?

15/11/80

Nedbank is the only large SA bank with direct bank holdings in Zimbabwe (Barclays and Standard branches there are under UK control). But if recent approaches by Bank of America to buy out Nedbank's 61% interest in Rhobank lead to negotiations and a possible sale, all banking ties will be severed. Nedbank chief executive Rob Abrahamse stresses, however, that talks are still tentative and Nedbank is not sure that it will sell.

Rhobank provides less than 5% of group profits. Last year, it earned Z$3,1m, of which Z$1,9m (R2,4m) was attributable to Nedbank. It also paid a 23c dividend, equivalent to Z$1m (R1,2m) on its 4,5m shares.

Future value of the subsidiary to Nedbank remains open to speculation. It could continue to flourish as the only quoted commercial bank in a growing economy (it is noteworthy that the return on assets in 1979 was 1,35% in line with Nedbank's 1,32% in spite of the war). On the other hand, it could be exposed to possible nationalisation or blocked dividends.

Whatever the outlook, Nedbank would expect to make a substantial profit if it decided to sell. But the extent of this profit is impossible to estimate as the group will not reveal book value. It is not even clear whether the investment has already been written off in Nedbank's books, in which case total sale proceeds would be treated as a profit.

Rhobank's 1979 annual report does, however, provide some guidelines to its value. At September 30, 1979, it reported deposits of Z$169m and advances of Z$131m, and the costs of developing an operation of this size would obviously be considered in setting a price. Shareholders' funds stood at Z$18,2m (R22,5m) with Nedbank's share at Z$11,1m (R13,7m). But market capitalisation of the 61% interest is nearer Z$21m (R25,9m) at the current share price of 465c (574c in SA).

If sale negotiations were to get under way, Nedbank would obviously expect a premium on the current 465c. Any capital profit would be placed in reserves and the increased capital base would enable the bank to write more business. But with total shareholders' funds of R224m at end-1979 likely to be even higher by the time any sale goes through, the profit would have to be considerable before it would affect overall results and the share price.

Fiona Halse

58 FM 18/7/80

CHARTER

Going shopping

Activities: *Anglo's UK and European arm. Managed interests include Beralt (tin and wolfram), Malaysia Mining Corp (tin). Strategic holdings include Johnson, Matthey (28,1%), Anderson Strathclyde (28,4%) and Cape Industries (67,3%).*
Chairman: *Dr A Spinks; chief executive J N Clarke.*
Capital structure: *105m ordinaries of 2p fully paid; 217 450 ordinaries 1p part paid. Market capitalisation: R641m.*
Financial: *Year to March 31 1980. Borrowings: long- and medium-term, £23,1. Net cash: £29,6m. Debt:equity ratio: 16,0%. Current ratio: 1,4. Group cash flow: £39,7m.*
Share market: *Price: 610c (1979-80: high, 610c; low, 280c; trading volume last quarter, 32 000 shares*). Yields: 7,4% on earnings; 2,4% on dividend. Cover: 3,1. PE ratio: 13,5.*
* JSE only

	'77	'78	'79	'80
Investment income (£m)	18,6	21,1	19,5	18,4
Surplus on realisations (£m)	2,4	5,8	12,0	5,8
Earnings (p)	16,7	23,2	21,2	26,0
Dividends (p)	7,4	8,3	8,6	8,4
Net asset value (p)	262	282	322	309

Where next? That is the question uppermost in the minds of Charter's minority shareholders. From being hamstrung by the restrictions of UK exchange controls, cash drains such as Cleveland Potash and a relatively insufficient amount of cash to pursue major diversifications, the group now has almost unlimited options. That, of course, has to be qualified to the extent that plans have first to be given the nod by 36% controlling shareholder Anglo.

Apart from almost certainly retaining the strategic 10% holding in Argus Printing & Publishing, 33,5% of Amzim (Anglo's Zimbabwean arm) and 4,5% of Botrest, the group's interest in southern Africa appears to be effectively at an end. That is, of course, unless some arcane deal is put together whereby Charter is used as a vehicle to strengthen Anglo's grip on GFSA or Cons Gold.

The same is true of the Americas. That hemisphere is now Minorco's province.

But with over £100m coming in from the sale of the 25,7% interest in Seltrust to BP and net cash reserves of £30m at end-March, the group has ample cash for further developments. That takes into account the cost of the raid which increased the stake in mining equipment producer Anderson Strathclyde to 28,4% and the upcoming purchase of Alexander Shand and some North Sea oil interests from Seltrust/BP.

In addition, the group's present level of gearing means considerable scope for mobilising additional borrowings, while that could be supplemented by further sales from the investment portfolio.

There could be other raids on complementary companies aimed at netting just less than the 30% at which a full bid would be necessary under London Takeover Code rules. But these investments would probably remain sleepers, pre-empting competing bids, for the present.

As far as greenfields developments are concerned, the first is most likely to be the Cerro des Oteros polymetalic plutonic deposit 70 km-odd from Madrid. Its attractions are that the deposit is relatively small and high grade and close to national roads, railways and towns. Elsewhere, there is the 8,2% interest in a North Sea fifth round licence block where a well is planned this year. Other North Sea drilling is in prospect. How much this will cost depends on the deal negotiated with BP. In the Far East there should be no direct call on Charter to help fund 28,6%-owned Malaysia Mining Corp's tin developments. Nor, presumably, if De Beers has any say in the matter, will any calls be made to fund the Ashton diamond venture in Australia in which MMC has a participation.

The fact is that there are apparently no greenfields developments which are so large that they would stretch Charter's financial muscle unduly. However, cash flush companies are increasingly rare in the UK, so now is the time for the group to go shopping for acquisitions if the muscle is not to get flabby. According to the *Financial Times*, mining and construction engineers Burnett & Hallamshire are rumoured to be on the group's shopping list. There will almost certainly be others.

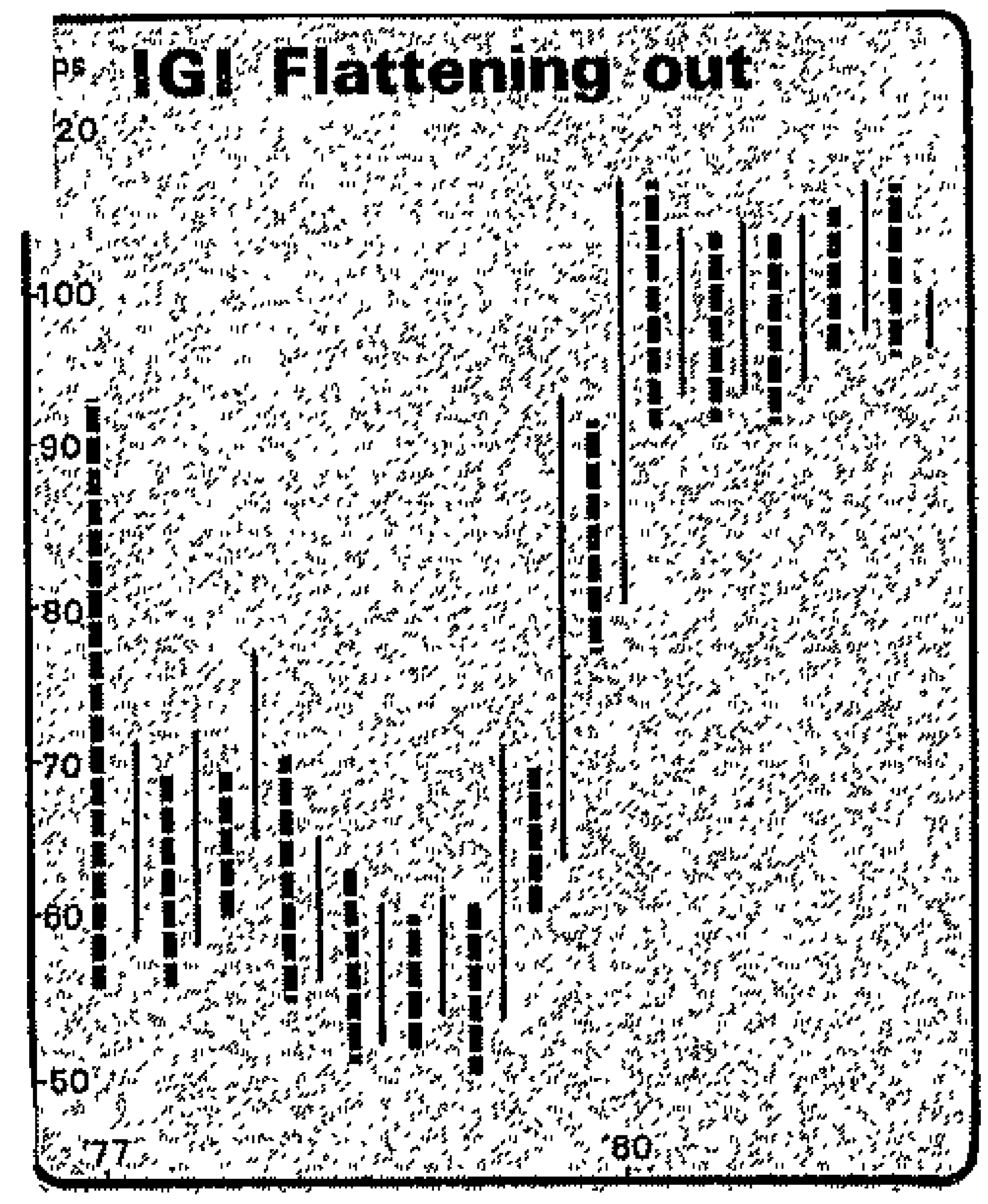
Jim Jon

GI/HOSKEN FM 18/7/80

Looking good

58

Activities: *Insurance company, mainly in short-term motor business. Subsidiaries underwrite life assurance. Directors control 21% of the equity. Hosken Consolidated Investments owns 53,5%.*
Chairman and joint managing director: *L Nathan; joint managing director: M A Lewis.*
Capital structure: *5,4m ordinaries of 25c; 1m 12,5% cum red prefs of R1.*



Market capitalisation: R5,2m.
Financial: *Year to March 31 1980. Total assets R38,9m. Insurance funds R16,8m. Current ratio: 1,1.*
Share market: *Price: 97c. (1979-80: high, 115c; low, 35c; trading volume last quarter, 84 000 shares). Yields: 28,6% on earnings; 8,2% on dividend. Cover: 3,5. PE ratio: 3,5.*

	'77	'78	'79	'80
Gross premium income (Rm)	24,9	29,1	42,7	45,4
Underwriting profit (loss) (Rm)	(1,2)	0,2	(0,2)	1,1
Operating profit (loss) (Rm)	(0,8)	0,7	0,6	1,4
Earnings (c)	(9,8)	17,3	7,8	27,8
Dividends (c)	nil	7	7	8
Net asset value (c)	36	54	90	153

To have more than doubled profits in a year when the local short-term insurance industry has been under considerable strain from overcapacity and low rates could well indicate that IGI's previous patchy profit performance has steadied. Growth from now on could be on a smoother upward curve given the vagaries of the industry.

Indeed, joint MD Michael Lewis tells the *FM* that, after a good start, he is looking forward to the best year yet in the company's history. In previous years, he points out, when the company was operating off a lower premium income base and writing a considerable volume of new contracts, so-called "new business strain," which results from the timing of transfers to reserves for the unexpired portion of risk at the year-end, was problematic. Now, however, the income base

FM 18/7/80

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Zuinguin Natal Collieries Limited

(Incorporated in the Republic of South Africa)

Notice to members

GENERAL MEETING

Notice is hereby given that a general meeting of members of the company will be held at 44 Main Street, Johannesburg, on Thursday August 7 1980, at 14h15 for the purpose of considering, and, if deemed fit, passing the following resolution as a special resolution, namely

"That the name of the company be changed from Zuinguin Natal Collieries Limited to Indumeni Limited"

The proposed change of name is recommended because the company's only operating interest is a subsidiary company Indumeni Coal Mines Limited and the directors believe it desirable that the name of the company should reflect its major interest.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and speak and, on a poll, to vote in his stead. A proxy need not be a member of the company.

The transfer registers and registers of members will be closed from August 2 to August 8 1980, both days inclusive.

By order of the board
Anglo American Corporation of South Africa Limited
Secretaries
per P. J. Eustace
Senior Divisional Secretary

Registered office
44 Main Street
Johannesburg 2001

July 11 1980

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EVERITE LIMITED

Preliminary Profit Statement and Final Dividend Announcement

The directors estimate that the unaudited consolidated profit of the group for the year ended 30 June 1980 will be as follows:

	1980 R'000 (Estimated)	1979 R'000 (Actual)
Turnover	102 000	80 424
Operating income	17 300	9 549
Income from investments	550	957
	17 850	10 506
Less: Taxation	7 800	5 265
Group profit after taxation	10 050	5 241
Less: Profit attributable to outside shareholders in a subsidiary company	25	55
Net profit attributable to Everite Limited	10 025	5 186
Earnings per share (cents)	61,1	31,9
Dividend per share (cents)	28,0	16,5

Comment

The increase in activity in the building industry continues to have a positive effect on profits in all divisions. As previously indicated, the dividend received from Asbestos Investments (Pty) Limited was reduced to R382 500 from R765 000 in the previous year. The effective tax rate is lower than last year as certain subsidiaries are benefiting from tax losses incurred in prior years.

Declaration of Dividend No. 64

Notice is hereby given that dividend number 64 of 20,5% equivalent to 20,5 cents per share, has been declared in respect of the year ended 30 June 1980, payable to shareholders registered in the books of the company at the close of business on 1 August 1980.

This is the final dividend and with interim dividend number 63 of 7,5% declared on 23 January 1980 makes a total distribution of 28,0% equivalent to 28,0 cents per share for the year, as compared with 16,5% equivalent to 16,5 cents per share for the previous year.

The Transfer Books and Register of Members will be closed from 2 August 1980 to 15 August 1980 both dates inclusive. Dividend warrants will be posted on or about 28 August 1980.

In terms of the Republic of South Africa Income Tax Act 1962 (as amended) non-resident shareholders' tax of 15% will be deducted by the company from dividends payable to shareholders whose addresses in the Share Register are outside the Republic.

By Order of the Board
T.L. Scholtz
Secretary

Johannesburg, Transvaal
16 July 1980

NOTE: All shares for transfer are to be forwarded to the Transfer Secretaries, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107) and **NOT** to the registered office of the company.

INDUSTRIAL LAND FM 18/7/80

Brown is beautiful

A more relaxed attitude to Indian ownership is rubbing off on the property market — especially in the industrial areas of Natal. Townships like Prospecton are already handling a growing volume of inquiries from manufacturers.

And now, says Russell and Marriott's (R & M) Michael Hyatt, strong interest is being shown in rent-producing stock as well.

In support of his view he cites the recent sale of an 11 342m² industrial property in Sydney Road for R208 000 to Indian interests. The selling price yields 11,8% on a net income of R24 550 a year.

But activity in the Durban area remains high all round. A R2m Southern Trident's development, for example, is doing much to bump up the Pinetown CBD. Hyatt believes the project, at the corner of Hill and Crompton streets, will do much to swing the core back to Crompton Street.

Edgars has taken a 15-year head lease on the property which is believed to give a return a shade under 10%, with current market escalations running around 6%. There are several other big developments in the pipeline in the Pinetown area.

And back in Durban, the sale of the old landmark Lowrys Corner has been confirmed. The property was bid up to R110 000 at a recent R & M auction, but a negotiated deal has been struck at R131 000, which yields 9%. The building comprises shops and upstairs flats.

Fm 18/7/80 (58)

NATIONAL TRADING COMPANY LIMITED

(Incorporated in the Republic of South Africa) Established 1904

DIRECTORS: J. Levison (*British*) Chairman, D. J. Adler (*British*) Deputy Chairman, L. F. Stern, Managing Director, D. H. F. Harris, Prof. J. H. Moolman, Maj. W. G. Geach, M.B.E., R. B. Rothschild, M. C. Gerber, M. J. Davis.
Alternate: K. E. Sher

Interim Report

The estimated results of the group for the six months ended 30th June 1980 are as follows:

	Six months to 30.06.1980 (Unaudited) R'000	Six months to 30.06.1979 (Unaudited) R'000	Year ended 31.12.1979 (Based on audited financial statements) R'000
Net income before taxation	3 497	2 148	4 725
Taxation	1 532	935	2 111
Net income after taxation	1 965	1 213	2 614
Attributable taxed net income of associated company	155	227	466
Net income of the group	R2 120	R1 440	R3 080
Ordinary shares in issue	6 000 000	6 000 000	6 000 000
Earnings per ordinary share	35,1c	23,7c	50,8c
Preference dividend	R15 000	R15 000	R30 000
Ordinary dividend — declared	R480 000	R360 000	R1 200 000
— per share	8,0c	6,0c	20,0c

It will be seen that net income after tax for the first six months of the current year compares favourably with that in the same period of 1979. The directors have declared an increased interim dividend of 8c per share (6c interim 1979). Indications are that the present trend in business conditions will continue for the rest of this year.

In order to increase the working capital available to the group for its trading and manufacturing activities, an agreement has been concluded to sell the Prospecton property used by the Durban branch for R3,5M. Full particulars will be contained in the annual financial statements. The branch will continue to occupy the premises.

Signed on behalf of the Board

D. J. ADLER *(Deputy Chairman)*
L. F. STERN *(Managing Director)*

Declaration of Interim Dividend — Ordinary Shares

NOTICE is hereby given that Interim Dividend No. 69 of 8 cents per share has been declared on the ordinary shares payable on 15th August 1980 in the currency of the Republic of South Africa, to shareholders registered in the books of the company at the close of business on 25th July 1980.

In terms of the Republic of South Africa Income Tax Act, the non-resident shareholders' tax at applicable rates will be deducted by the company from dividends payable to shareholders whose addresses appearing in the share register are outside the Republic.

By order of the Board

D. J. MILLER
Secretary

Johannesburg
10th July 1980

Registered Office:
Natco House
corner Simmonds Street
and Village Road, Selby
Johannesburg 2001

London Transfer Office:
A. Oppenheimer & Co. Ltd.
38 Finsbury Square
London EC2A 1SJ

South African Transfer Office:
Financial Administrators (Pty) Ltd.
5th Floor, Atkinson House
24 Eloff Street
Johannesburg 2001

FM 18/7/80

(58)

A year of exceptional importance for Charter

Points from the reports of the chairman, Dr. Alfred Spinks and the chief executive, Mr. Neil Clarke for the year to 31st March 1980

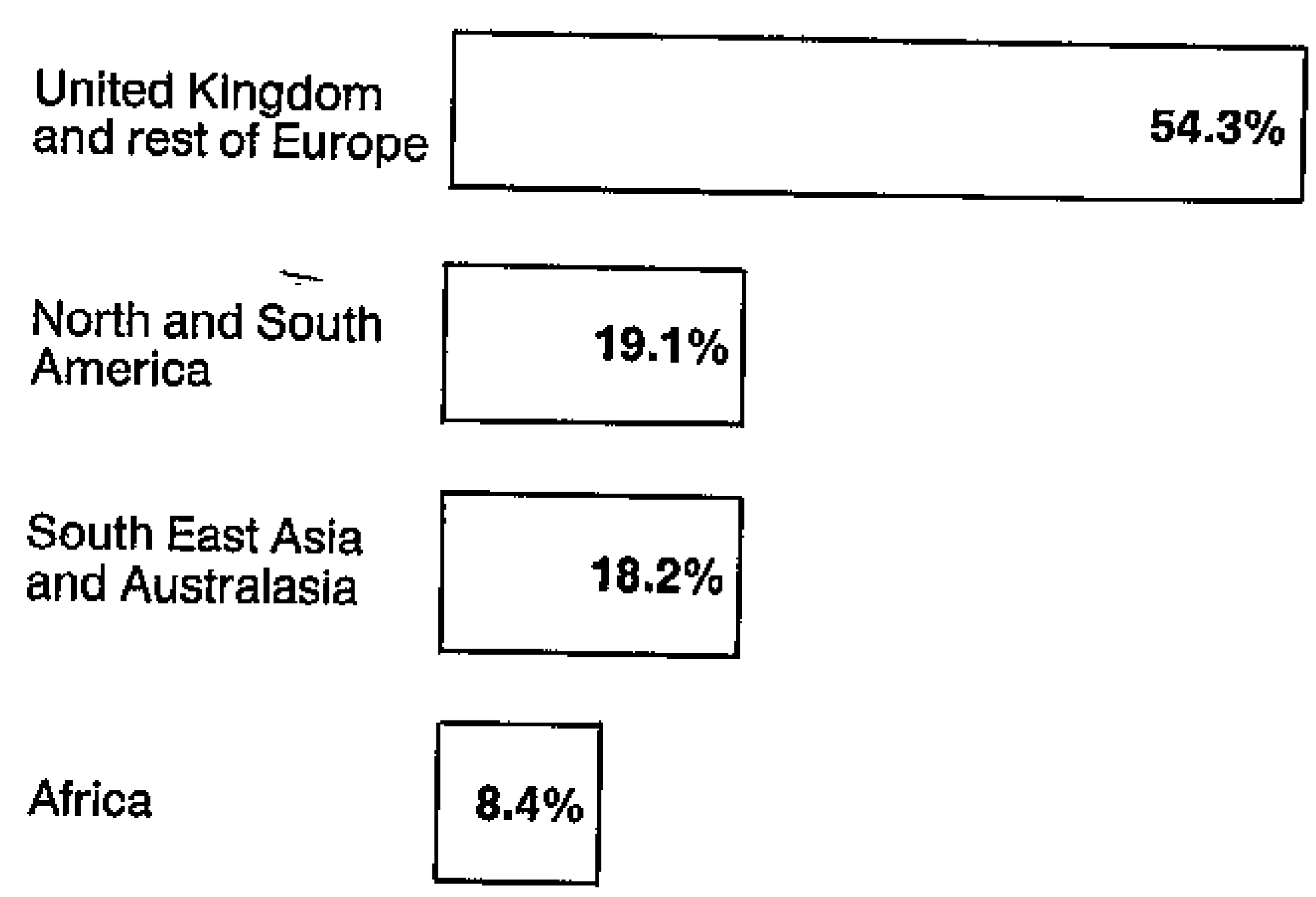
- The year was exceptionally important for Charter because of the major restructuring which took place, leading to substantial changes in the distribution and balance of assets.
- The management structure of the company has been reorganised.
- Charter received a substantial amount of cash in the restructuring and the borrowing element in the capital structure is now very low.
- Charter is actively seeking opportunities to develop its interests both in mining and industry.
- In the industrial field, areas in which Charter is at present involved offer scope for the future and the company is also extending its interests into new sectors.
- In mining Charter has the resources to develop medium scale projects in Europe and further afield and believes that in the case of particular minerals which are becoming increasingly scarce the potential reward more than justifies the high level of risk involved when investing in new mines.

Features from the accounts

	1980 £ million	1979 £ million
Profit before taxation	**52.3**	44.5
Attributable earnings	**27.9**	23.0
Extraordinary items (1979 deficit)	**54.6**	(5.7)
Net assets (including appreciation of investments)	**324.3**	340.7
Earnings per share	**26.6p**	21.9p
Dividends per share	**8.35p**	8.62p
Net assets per share	**309p**	325p

NOTE The results cover the restructuring which occurred during the financial year and are not directly comparable with those of the previous year.

Geographical distribution of assets



CHARTER

Charter Consolidated Limited

Copies of the Annual Report and Accounts can be obtained from the local share registrars, Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg, 2001, or from P.O. Box 61051, Marshalltown, 2107.

Record for bank

RDM 19/7/80

(58)

DURBAN. — The New Republic Bank has reported a record profit, and the chairman, Mr J N Reddy, told shareholders at the bank's annual meeting that prospects looked still brighter.

Net income after tax rose from R64 069 to R198 550, an increase of 210%. Return on shareholders' funds rose from 6,83% to 18,3%. Earnings a share were 14,7c cents (1979: 4,7c) and a dividend of 9% (1979: 7%) has been dclared.

Total assets rose by R4 938 294 to R17 114 967.

The bank will raise its authorised share capital from R1-million to R2-million, divided into 4-million ordinary shares of 50c each, to be issued at the discretion of the directors.

Mr Reddy said the pupose of the move was to create sufficient unissued ordinary shares to enable the directors to go ahead with their rights issue of ordinary shares.

Give African Bank a chance, blacks told

(58) Post 22/7/80

By WILLIE BOKALA

THE small black African Bank will definitely be the bank of the future — one of the biggest in South Africa if the community were patient with its slow development and supported it.

This was said by Mr M Maubane, assistant general manager of the bank, when addressing the annual general meeting of the Southern Transvaal African Chamber of Commerce (Soutacoc) held at the Jan Smuts Holiday Inn at the weekend.

He was speaking on the financing of small business and the role of the Industrial Development Corporation.

He said the problem was that black businessmen and the community at large were impatient with the junior services the bank offered and instead found it more convenient to use the well-established white-owned banks.

The African Bank was, however, truly a financial institution to reckon with and was part and parcel of the whole financial institutions in the country.

It needed all the support it could get from blacks themselves.

Mr Maubane said the primary objective of the bank was to be able to be meaningful to blacks.

After his speech which was applauded, the meeting passed a resolution calling on all branches of the Soutacoc region of Nafcoc to bank with African Bank.

The meeting, which started on Saturday afternoon, was also addressed by Mr L Mehlomakulu, development manager of Barclays Bank, Mr D Robinson of Permanent Life Assurance, and Mr William Ramoshaba, development manager of Standard Bank.

In his regional report to the meeting Mr Sy Kutumela, secretary of Soutacoc, said the organisation was looking at the possibilities of forming companies in the different areas of the country to set up big business.

He said in the past year the region had undertaken major projects and already a Mamelodi industrialist had made premises available to the African Bank to operate an agency from there.

Altogether African Bank had three branches in the country and a few agencies.

Other projects included:

- Some members of Soutacoc in Mamelodi had applied to their local authorities on behalf of Blackchain to have a shopping complex put up there; and
- The African Funeral Undertakers Association (AFUA) of Soweto, was putting up a R500 000 building complex in the Soweto industrial area where they would trade in coffins and wreaths.

Insurance firms invest R6-m a day

22/8/80 ARGUS

(58)

INSURANCE companies channelled almost R1 500-million into investments last year — about R6-million every working day.

More than R1 912-million was held in shares and units at the year-end, a 30 percent or R449-million increase.

Another R182-million was invested in property, up 19 percent, bringing the total to R1 385-million.

Investment income grew by R178-million or 29 percent to R791-million, which formed one-third of companies' income from all sources.

This is disclosed by the Life Offices Association in its annual review.

The association represents 38 companies who handle more than 98 percent of the country's insurance business.

Total payments to policy holders and their beneficiaries rose about 12 percent or R65-million to R616-million last year.

A total of R1 707-million was paid in life insurance premiums, a rise of R391-million or 30 percent.

Income breached the R2 000-million barrier for the first time, rising 29 percent to R2 496-million. The fastest growing sector was group schemes and pension funds which jumped 44 percent to R764-million.

Companies paid out R411-million in policy surrenders over the past five years.

After rising steadily by more than 20 percent a year, payouts levelled off to R93-million in 1978 then dropped by 4 percent or R4-million to R89-million last year.

RDM 23/7/80 (58)

Indesel, Natsel double in value

By DAVID CARTE
Deputy Financial Editor

THE PORTFOLIOS of the IDC's investment trusts, Industrial Selections and National Selections, nearly doubled in value in the year to the end of June, say the annual reports.

While Indsel's portfolio rose 37% to R96 435 000 (R51 570 000), Natsel's rose 90% to R91 278 000 (R48 056 000).

Indsel's net asset value rose 72% to 1 408,8c a share and Natsel's 73% to 1 586,1c. This puts Indsel, at 1 175c, at a 17% discount to net assets and Natsel at a 15% discount.

Indsel pushed up pre-tax profit 72% to R6 816 000 and taxed profit 71,5% to R6 710 000. Earnings a share at 110,5c were 62% better. The 75c dividend was a 63% improvement.

Natsel increased pre-tax profit 85% to R6 539 000 and taxed profit 84% to R6 474 000. Earnings were 72% better at 115,5c, while the dividend rose 70% to 85c a share.

The results mean that Indsel's earnings have grown at an annual compound rate of 19,4% over the past 10 years, compared with Natsel's 17.5%.

The portfolios are not dissimilar, with both trusts heavily into Sentrachem, Impala Plats, CG Smith Investments and Safmarine.

Indsel's purchases last year included large parcels of Fedvolks, Sentrachem Industrial Finance Corp, Safmarine and Sasol. Large parcels of Trek and Natal Oil & Soap were sold.

Indsel also bought Sentrachem, Sasol and Safmarine.

At current prices, Indsel yields 6,4% and Natsel 6,3%. Considering the discount to assets and the quality of the portfolios this looks fair value, but one is not obviously cheap relative to the other.

Miller no to tax cut

WASHINGTON. — The Treasury Secretary, Mr G William Miller, says a tax cut may be desirable in 1981, but he has urged Congress not to propose hasty income tax cuts before the November election.

Who bears the burden of the tax?

Post 24/7/80

(58)

Insurance plays growing role in lifestyle-planning

THERE was a time when major insurance companies literally did not believe in the existence of the black market. Some, motivated by sterotyped ideas about the massive risk factor involved in the black community, just ran scared of considering this market as a viable possibility.

Today the R1 000 million or so industry is gearing itself to a possible growth of about R10 000 million in the next five years. These optimistic figures are a result of a projection of more and more blacks taking out policies and there is a virtual boom in the industry.

"The black is becoming more critical and more selective in planning his lifestyle and security for the family, while making arrangements for old age.

Coupled with pressures of paying for university tuition for his children, all these factors have combined to make insurance in the black community one of the high priorities," says Chris Morrison, an executive of Anchor Life, who is among one of the few highly qualified black executives on insurance companies.

Ironically, it was Anchor Life that pioneered the high interest in insurance in the black market. Many people, painfully aware of the need to offer added protection for their families, invest in life assurance policies. It is not an area that caters only for the high and the mighty in terms of earning power, but has potential for every worker.

Mr Morrison points out that for a minimal monthly premium of R7,35 — which is within reach of many lowly paid workers — one can take what he calls the "Kea Division" policy and the worker can enjoy the following benefits:

LOANS

On the survival of the life assured, a monthly payment of R350;

Loans available after three years premiums have been paid;

In the event of death in an accident, in such a policy the family gets R2 500 plus funeral expenses of R250.

Other benefits include:

Total disability — R2 500

Partial disability R1 250

You are also covered in the event of loss of time due to an accident for up to 26 weeks.

"This is just about a demonstration of the types of services available to people who cannot afford to invest large sums of money in monthly premiums," said Mr Morrison.

Just recently, a destitute father in Sharpeville — he is a crippled pensioner — lost the sole breadwinner in the family, a daughter in a car accident. Unknown to Mr J Mnisi, his daughter had in fact taken out a policy and it hit him like a bolt of lightning when shortly after the daughter's funeral, Mr Morrison knocked at his door and presented him with a cheque for R3 600.

The daughter had put him down as the beneficiary in case of death.

In industry and commerce, there is a growing participation of employer and employee in various industrial insurance covers, in which selected employers and employees take out policies that cover a variety of possibilities, ranging from accident to death.

It is, however, in education what the major number of people are looking up to insurance the benefit of their childrens' education, he said.

There are other variety of reasons the blacks have suddenly found reason for cover. They protect their homes, their cars, their business interests and so forth.

Mr Morrison's greatest concern is the mass of ignorance that still surrounds the insurance business in the community. This is why, he believes, this ignorance is being exploited by many people to make all types of hopeless deals.

Sipho Chris Morrison . . . a satisfied customer is worth millions in advertising.

Cont ↓

It is, however, in education what the major number of people are looking up to insurance for. An ever increasing number of parents take out policies — maturing in ten or 15 years — to have it at hand when their children are ready to enter university.

Not all are lucky to obtain bursaries — in fact by far the greatest majority must rely on the resources of their parents.

Taking the money to the bank or building society is a good idea. But it is not a guarantee that you may not draw it to meet eventualities that always seem to crop up when one inevitably has a savings account.

TEMPTATION

So to minimise the temptation of running to the bank to draw the money, they invest it in insurance policies all waiting there to take junior to school. In the event of their dying before this happens, the sum in which their life is assured for is guarantee that at least junior will have the money to go to university to fulfil the family's dream.

"Nothing makes education more positive and more enjoyable when both parents and children are protected from the pressures of supplying money. While the idea may be just to take out a policy for oneself, it is also, at the back of the mind of many parents, a way of assuring themselves that when that critical age arrives, the policy matures for lieves, this ignorance is being exploited by many people to make all types of hopeless deals.

"In insurance, my experience has taught me that credibility and patience in explaining the details of what is and what is not available — if done honestly — is the biggest strength you have.

SATISFIED

"A satisfied customer is worth millions in advertising. If people can look you in the eye and say thank you — instead of cursing you, then you sleep peacefully at night. What is more you gain in stature and they look at you as a man they can trust. Shady deals, unfortunately, are the only guaranteed path to complete business disaster," he said.

In the upper brackets of the community, there is now a trend to take up heavy policies that will eventually allow people to retire — at an early age — and enjoy a good life. It is in this category that you find people going on yachts around the world at retirement, hitting the high spots of Paris, London and New York.

It takes a lot of money to do this and that is why they are keeping their policies well oiled with cash until it matures.

All in all, the optimism of the industry combined with the awareness of the community, are making the insurance world buzz with excitement for the next five years.

Fedfund 42% higher

58 RDM 24/7/88

Deputy Financial Editor

FEDERATED Property Trust (Fedfund) pushed up distributable income 42% to R3 150 000 (R2 212 000) in the six months to June.

Income a unit on the 52 500 000 units now in issue was 6c compared with 6,32c a unit on the 35-million units in issue last first half. This means last year's R17 800 000 rights issue diluted earnings slightly.

Net income was fully distributed and a 6c interim dividend has been declared.

The results were satisfactory, says the report, reflecting accelerated income growth in the property portfolio but a lower than expected overall yield on uninvested funds. These are committed on expansion of the property portfolio.

Fedfund recently acquired Elkam and Kelhof, two large office blocks in Johannesburg for R7-million and is spending R1 500 000 extending its OK Bazaars building in Potchefstroom, so will soon be fully invested in property again.

Fedfund forecasts a dividend of "no less than" 12,7c for the year. At 190c, it yields 6,7% on the forecast dividend.

No govt probe into 'dawn raid'

Own Correspondent

LONDON — The "dawn raid" in which De Beers, the South African mining company, acquired a 25 percent stake in Consolidated Gold Fields, the London mining finance house, will not be referred to the Monopolies and Mergers Commission.

This was announced by the Trade Secretary, Mr John Nott, yesterday.

De Beers secretly built up a 13.4 percent holding in Consolidated Gold during the closing months of last year and spring of this year. Then in February the company went into the stock market in an early morning raid and increased their holding to 25 percent.

De Beers were criticized for the method they used to buy the shares which did not allow all shareholders an equal chance to sell. There was also some disquiet about the way in which a foreign company was able to seize such a major stake in a British company.

It appears now that Mr Nott feels there is no significant issue of public interest which would justify an investigation.

The government has come to the conclusion that the shares will not give power to control Consolidated Gold Fields, though it may be able to influence them. If De Beers were to gain control, the situation would be different and the matter would then be referred to the Monopolies Commission.

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SUNI

Beware of that policy

S. Post 27/7/80

58

SOME THIRTY years ago Mrs Bertha Makhele, then an able and healthy working woman, took out a life insurance policy. But after her death her family received virtually nothing from the insurance company.

Two weeks ago, at the age of 78, Mrs Makhele died. Her family approached her insurance company to pay out on her policy. They were shocked to receive R97,34c. Lamented her grand-daughter Mrs Leticia Binda: "But she had been paying all these years. We thought the insurance people would pay her a hefty sum." Had the insurance company paid out less than it should have?

Mrs Binda

Insurance may not meet all your needs

By Z B MOLEFE

Investigating this SUNDAY POST found a different picture, which touches nearly every black insurance policy holder.

Mrs Makhele, who paid five cents a week for her policy, did not know that it matured in 1976. The money she was entitled to at that stage was less than R26. Her family did not know about this.

"Most of our people, after they have taken out a policy, do not bother to check or understand many vital facts," said Mr A S Netshandama, branch manager of the Soweto branch of Metropolitian Homes Trust Life. (Incidentally, this is the company that insured Mrs Makhele).

Mr Netshandama admitted that in most cases it is the fault of insurance agents. They should make it their business to properly inform their clients about policies they take out.

Now that the high risk factor is no longer used to determine black insurance as laid down in the 1943 Insurance Act, blacks in greater numbers are taking out insurance. "But," warned Mr Netshandama, "even the educated people faulted. That is why, from time to time, we use pamphlets to emphasise the most important parts of their policies."

He also added that nowadays, besides funeral policies, blacks could take out industrial policies (for the middle-class income groups) and policies for pension fund purposes.

Inflation was another factor most black insurance policy holders did not take into account. Using the case of Mrs Makhele, Mr Netshandama pointed out that when she took out her policy during 1950 the premiums varied between three cents and fifty cents a week.

"Remember," Mr Netshandama emphasised, "in those days commodities like bread cost something like three cents. But today prices are far higher. Even in insurance such factors come into play when you have to work out policies. That is why it is so important that our people should be educated in this industry."

He appealed to black people to note the following points:

- Always ask the agent to go through all the information.
- It is important that the manner of payment is explained.
- Be frank about your health. At a later stage this can lead to problems if the wrong information is supplied.
- Make sure a receipt is received for any money paid to an agent.
- If an agent no longer gets in touch, after a policy has been taken out, make a point of establishing his credentials with the company's nearest branch.

Colin Vineall's

Bits and Pieces

27/7/80 SUN

Move to stop wise-guy agents

58

SIGNS that the Government - controlled Estate Agents Board is beginning to flex its muscles after a rather slow start have come with the issue of its latest newsletter. (When I say a slow start, let me illustrate this by saying that on Monday, July 22, I received that newsletter — dated June).

However, the release, which is sent to the 12,000 plus registered estate agents to keep them in the picture regarding the board's activities, discloses several interesting points.

Two of them concern sections of the Estate Agents' Amendment Act, which was gazetted in May. Section 27 deals with the disqualification of "certain persons who may not be issued with a fidelity fund certificate unless the board considers it to be in the interests of justice."

Fair enough, but the sting comes with "the onus is on the disqualified person to satisfy the board that it would be in the interests of justice."

So an estate agent who is barred from obtaining a fidelity fund certificate, without which he cannot legally operate, has to provide the proof that he is a good boy, has been a good boy and will be a good boy.

The newsletter says the amendment to Section 33 means the Minister "has the power to prescribe by regulation the standard of training and practical experience which a new entrant into the estate agency field will have to attain.

"If he does not comply with the standards laid down by the Minister in the regulation, he may not be issued with a fid fund certificate."

However, no such standards or regulation have yet been promulgated. But it is known that the august Institute of Estate Agents has been pressing for years to have educational standards for agents and, indeed, runs a course for a certificate in the residential field.

According to the newsletter, the Minister will also be able to lay down what practical experience an estate agent must obtain before he can act as a principal in an estate agency business. He will also be able to dictate the conditions under which an agent can operate from residential premises.

Again, there is no such regulation as yet, but the powers are there and our Cabinet Ministers are not renowned for ignoring the powers that are granted to them . . .

By and large, it would appear that the motive behind the moves is to cut out the oddballs who drift from one selling job to another depending on where the best commissions are being paid. And that's a good idea.

I don't mind if a car salesman starts selling cigarettes or sausages if the pay is better. But when it comes to selling houses, sound knowledge and experience are essential.

Qualified

As far as the wise guy is concerned, who sets himself up as an agent from the dining room table, I welcome possible moves to squash this — unless the agent has qualified by attaining the acceptable standards applicable to competitors in larger organisations.

Let us, after all, allow free enterprise to carry on — and most of the major businesses have had humble beginnings.

Talking of going out on one's own, there is yet another vital message in the board's newsletter.

A director of a firm from whom the fid. fund certificate has been withdrawn will also become a disqualified person.

The newsletter says: "Previously the director was free to apply immediately for and obtain a fid fund certificate in his own name to trade as a sole trader or a partner.

"This will no longer be possible and such a director will have to convince the board it would be in the interests of justice to issue a certificate to him."

Genmin asbestos profits edge up

(46) (2??) 21/7/80

By Geoff Shuttleworth

The Genmin asbestos twins have both increased profits slightly for the June 30 ended quarter.

Msauli increased taxed profit to R864 000 from R835 000 while Gefco rose to R1,2m from R934 000. This brings Gefco taxed profits for the year to date to R2,1m compared with R3,0m in the same period while in the case of Msauli it reflects a taxed profit of R1,7m (R1,8m).

Msauli increased production of fibre to 26 008 tons from 22 814 tons from increased throughput of 254 000 (234 000 tons) and the recovery percentage increased to 10,2 percent (9,8 percent).

Gefco throughput declined to 89 000 tons (100 000 tons) resulting in a decrease of fibre recovered to 11 122 tons (13 115), reflecting a decrease in recovery to 12,5 percent (13,1 percent).

Production costs per ton at Msauli declined to R84,1 (R92,1) though selling costs wiped out this benefit by rising to R68,4 (R59,8). Gefco production costs per ton rose to R314.2 from R296.3 and selling costs declined marginally to R122,2 (R112,8).

The results are little changed in comparison from last year's corresponding period but as Genmin points out, financial results are based on actual fibre shipments which vary from month to month.

Af Eagle joy cold comfort for SA Eagle

(58)

RDM 30/7/80

By HAROLD FRIDJHON

AFRICAN Eagle has produced spectacular figures for the year to March 1980. Total assets are 17,3% higher at R686 410 000; income is 12,2% up at R190 910 000; and net taxed income at R118 060 000 is 20,8% better than 1979's figure.

All this is cold comfort for the shareholders of SA Eagle which owns 25% of African Eagle which last paid a dividend — an interim — of 100c a share in 1976 (3c a SA Eagle share) and which is not likely to resume dividend payments for some time into the future because,

"The directors are of the opinion that surpluses arising during the year should be reinvested within the company thereby ensuring a sound base for continued expansion in the future," according to the annual report.

Dr Morris Bernstein, the managing director, expands on this policy. The past few years have seen a consolidation of African Eagle, of its structure, of its people and of its products.

The group is moving into a period of expansion and financing new business was costly.

The group, says Dr Bernstein, could either raise new capital to finance business, as some other life offices have done or it could finance new business from its retentions and this is the path African Eagle has taken.

This sounds very much like Joel Sternson in action — not paying dividends and using the funds generated to increase net asset value. But this does not help SA Eagle shareholders.

Dr Bernstein says that the developments of the past 10 years (assets up from R149-million to R828 million) have prepared African Eagle for the growth being experienced. In the first three months of the current financial year, new business production for the individual life divison is 64% higher than in the same period last year.

Premium income last year rose from R112 million to R124-million. Investment revenue was 16% higher at R67-million. The year's surplus rose from R97 740 000 to R118 060 000. This was transferred to the life fund which stood at R690 850 000 at the end of the financial year.

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FINANCE General

1-8-80 - 31-12-80

13/6/80.
(58)

Financial Institutions Amendment Bill

See S. Hansard 12 COLs 2495 - 2498

12/6/80

(58)

Debate: Financial Institutions Amendment Bill (Committee Stage resumed)

See Hansard 17 cols 9155 - 9166.

11/6/80

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Debate: Financial Institutions Amendment Bill (2nd Reading)

See Hansard 17 Cols 8949 – 8991

10/6/80

(58)

Debate: Limitation + Disclosure of Finance charges amendment Bill (Committee stage)

See Hansard 17 cols 8586 - 8667

9/6/80

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Debate: Limitations and disclosure of Finance charges amendment Bill.

see Hansard 17 cols 8431 - 8507

9/6/80

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Debate: Companies Amendment Bill

See Hansard 17 Cols 8560 – 8576

29/5/80
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Companies Amendment Bill

See S. Hansard 10 cols 2091-2101

27/~~5~~/80

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Financial Institutions Amendment Bill

See S. Hansard IO cols 1973-2008

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27/5/80

Financial Institutions Amendment Bill - Committee Stage

See S. Hansard 10 cols 1973 - 200

29/4/80.

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Share Blocks Control Bill

2nd Reading

See S. Hansard / Cols. 1291-1300

22/5/80

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Financial Institutions amendment Bill

See 5. Hansard 9 Cols 1879 - 1905.

22/5/50

(58)

Financial Institutions Amendment Bill - 2nd Reading

See S Hansard 9 cls 1879 - 1905

13(757) **Companies Act** 14/160 2 (58)

+4 Mr. G. S. BARTLETT asked the Minister of Commerce and Consumer Affairs:

Whether he will amend the Companies Act, 1973, in order to make it an offence for directors of a company to refuse information to shareholders at a

(x1)

meeting convened in terms of section 181 of the Act; if so, when; if not, why not?

†The MINISTER OF POSTS AND TELECOMMUNICATIONS (for the Minister of Commerce and Consumer Affairs):

No, not at this stage. The Standing Advisory Committee on Company Law, appointed in terms of the Companies Act, 1973, usually considers all proposed amendments of the Companies Act.

The hon. member is therefore requested to submit a memorandum in connection with the matter to me for the attention of the said committee.

3/5/80

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Financial Institutions amendment Bill

see S Hansard 11 cols. 2511-2174.

25/4/80

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Sharebrokers Control Bill
Committee Stage

See Hansard 10 cols. 4796 - 4824

24/7/80

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S. A. Mutual Life
Assurance Society (Private)
Amendment Bill

See S. Hansard 5 Cols 1184 - 1194

23/4/80

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S.A. Mutual Life Assurance Society (Private) Amendment Bill

See S. Hansard 5 Cols. 1168-1175

21/4/80

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Share Blocks Control Bill

(2nd Reading)

See Hansard Cols 4456 – 4492

(58)

24/4/80

Share Blocks Control Bill

2nd Reading Resumed

See Hansard 10 Cols 4738-4745

Hansard
7(412)
19/3/80 58

University of Durban-Westville: autonomy
7(412) 19/3/80 155

*15. Mr. R. A. F. SWART asked the Minister of Indian Affairs:

Whether representations have been made to him or his Department in regard to the granting of autonomy to the University of Durban-Westville; if so, (a) by whom, (b) when and (c) with what result?

The MINISTER OF INDIAN AFFAIRS:

Yes.

(a) The Council of the University.

(b) December 1978.

(c) No decision has as yet been taken.

Horwood to talk on interest rates

58 RDM 1/8/80

THE MINISTER of Finance, Senator Horwood, says he will make a statement shortly on interest-rate policy. The Governor of the Reserve Bank, Dr Theunis de Jongh, will comment on monetary policy at the Reserve Bank's annual meeting on August 26, but Senator Horwood says he will probably make an announcement before this.

Dr De Jongh and other Reserve Bank officials will take part in discussions on monetary policy before the statements.

Senator Horwood said in an interview with Reuter that the committee on financial policy and strategy would meet next week and he would later be able to commment on monetary policy.

He said inflation was the biggest problem.

"At the moment we do not want to slow down the growth rate for want of essential imports. If we are going to sustain the substantial rate of growth we are going to have to have a fairly substantial rate of imports at least for a while.

"We hope to hold the inflation rate for the next few months around where it is at the moment. One cannot expect in the short term that the country's rate will fall much below those of its major trading partners."

The high level of imports was adding to inflation — "so it will have to be watched very carefully and we must see at what point we feel stocks have been built up sufficiently, and a substantial enough increase in overseas technology has taken place".

He hoped normal economic factors would lead eventually to a flattening in imports.

"I don't think imports are going to go on rising as they are for more than a matter of months."

He said the economy was in good shape apart from inflation worries and "it is going to take some very substantial and unexpected development to cause a change from the present course. Therefore, if things remain roughly as they are one can anticipate a strong economy for quite a while yet".

The authorities would have to wrestle with the liquidity and inflation rate problems for a while. This affected interest rates.

On a short-term analysis, inflation in South Africa was a cost inflation — "so we must look at remedies basically in this light".

The authorities had kept a tight grip on Government spending and "this must continue to be the basic approach".

Revenue was buoyant, but there was nothing inconsistant in a policy which sought to promote growth, but with financial discipline.

He said the authorities had by and large been successful in preventing inflationary pressures arising from fiscal and monetary policies.

He said administered prices had been a contributing factor because of the old policy of keeping prices as low as possible. Now that these had been largely adjusted for a little while at least, the worst was over.

There were also price increases in the private sector which were made possible by improved market conditions.

He said the official policy of narrowing the wage gap between low and high wage earners had been inflationary.

The authorities were trying to quantify the various inputs into the inflation equation and thus be in a position to weigh the various factors and have a clearer insight into their importance.

Rate war hits Cusaf

(58) RDM 1/8/86

COMMERCIAL - Union Assurance Company of South Africa's taxed profits for the six months to June 30 fell 13% against the same period last year, according to the company's interim results.

Earnings a share for the first six months this year dropped to 22c from 25c for the same period last year, but the interim dividend is unchanged at 8c.

Taxed profits amounted to R1 700 000.

A statement said total income on the life account was 27% higher than in the corresponding period last year at R22 200 000 and the market value of the life fund's assets exceeded R200-million for the first time at the end of June.

The statement said Cusaf's results reflected the high level of competition in the short-term market, with the downturn cushioned to some extent by increased investment income and an increase in shareholders' life profits.

Competition in the short-term end of the industry led to rate cutting which affected the entire insurance market.

"The positive note in the results is a 79% rise in the shareholders' share of life profits at R138 000 and a 15% increase in investment income at R1 900 000."

Shareholders' funds increased in value by 40,9% to R30 600 000 at the half-year stage, with net asset value a share up 41,3% to 383c.

Underwriting profits fell 65% to R531 000, coincident with an increase in claims.

Cusaf's managing director, Mr John Birkenshaw, says: "It is unlikely that the short-term insurance market will improve before worsening results generally force a return to sane and prudent underwriting, but our ability to meet this situation in the meantime is self-evident from the financial strength disclosed in our results." — Sapa.

Rupert moves into oil and mineral resources

By PAUL DOLD
Financial Editor

Dr Anton Rupert

THE REMBRANDT GROUP is moving into energy, metals and mineral resources through an overseas investment company which has been formed in partnership with a European group.

This is disclosed by the chairman, Dr Anton Rupert, in his annual report today. He says the aim of the new companay is to invest in resource based industries.

"Current activity has been mainly directed to portfolio investments geographically spread and diversified as to the nature of the metals, minerals or energy resources."

Judging the investment so far the Rembrandt group is ploughing millions into this new investment programme and the pace seems to be accelerating.

A total of nearly R100m has been invested, which includes some R48,3m alone since March.

Always a shrewd financier, Dr Rupert has no doubt judged well the international climate and the forecast high demand for strategic minerals and scarce energy resources. Already several European countries are setting up stockpiles of strategic minerals in the new climate which followed the Soviet invasion of Afghanistan.

In South Africa the report reveals that Remgro has taken a 20 percent stake in Total South Africa at a cost of R16m.

And the review notes that while the prinicipal source of group income is still the tobacco and liquor industries, income is increasingly being derived from mining, banking and the investment of liquid funds.

The report also details that R9,4m was paid for the initial investment in the joint venture with the German chemical giant Henkel.

Group's profits

Sapa reports that Rembrandt Group's net income attributable to own members increased from R93,4 m to R118,7 m for the year ended March 31, according to Remgro's annual report.

Income from liquor and tobacco interests increased by eight percent from R78,9 m to R85,4 m and income from other sources from R14,6 m to R33,2 m.

Capital employed at March 31 amounted to R835 m, of which R750 m (90 percent) was represented by shareholders' funds.

Interest of own members in shareholders' funds rose by R76 m (R1,41 per share) to R726 m, bringing book value per share to R13,91.

The annual dividend of 30 cents per share was 4,5 cents up on the previous year.

The directors report that during the year Remgro established an overseas investment company, in partnership with a European group, to invest in resource-based industries.

"Current activity has been mainly directed to portfolio investments geographically spread and diversified as to the nature of the metals, minerals and energy resures. The total current investment by this new company amounts to nearly R100 m," says Remgro.

Remgro's local investment during the year amounted to R78,5 m, with the group acquiring interests of 20 percent in Legal and General, Volkskas Assurance and Total South Africa, and increasing its share of Federale Mynbou to 25 percent, as well as establishing a joint chemical venture.

The change in Remgro's liquor interests resulted in cash inflow of R79,5 m, with the change in the liquor industry resulting in a 30 percent Remgro investment in the new Cape Wine and Distillers and selling its interest in Intercontinental Breweries.

A consolidated five-year review shows earnings per share of 227,3 cents for 1980 compared to 125 cents in 1975, with a dividend increase over the period of some 70 percent.

The annual report of **Rembrandt Controlling Investments** — which has a 51 percent interest in Remgro — shows a net income attributable to own members of R60,4 m against R47,5 m the previous year.

The interest of own members in total shareholders' funds increased by R39 m to R370 m or R10,28 per share.

Earnings per share of 10c, including a share in income retained by associated companies, amount to 167,9c against 132,1c the previous year.

The dividends, totalling 21,9c (18,7c) are thus covered more than 7 times.

Technical and Industrial Investments consolidated net profit after tax, together with the interest of own members in the profits retained by associated companies, increased to R20,2 m in the financial year ended March 31.

The total dividend of 18,9c (16,1c) per share amounted to R2,5 m.

The total consolidated interest of own members in the assets of the company increased by R13,1 m to R122,7 m.

Technical Investment Corporation reported consolidated net profit after tax increased to R24,4 (R19,2 m). The total dividend of 18,9c (16,1c) per share amounted to R3,1 m.

The consolidated interest of own members, which includes the company's share of profits and reserves of associated companies, amounts to R149 m (R133,2 m). — Sapa

3/9/80 SUN TIMES

STOP THE MONOPOLY

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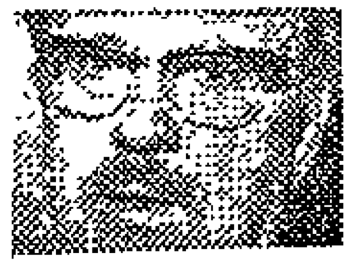
COMPETITION BOARD BOSS MOUTON ACCUSES THE PHARMACEUTICAL MEN AND WARNS: PUT YOUR HOUSE IN ORDER... OR ELSE THE GOVERNMENT MAY DO IT FOR YOU!



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Report by Ticks Chetty

THE country's multi-million rand pharmaceutical industry stands accused of monopolistic practices which a Government-instituted board of inquiry wants banned in the interests of the public and free trade.

The industry, controlled by four national organisations from manufacturing to selling over the counter, has been given the choice of putting its house in order or bowing to Government demands following the inquiry conducted by the Competition Board.

The issue has become highly sensitive. As Dr David Mouton, chairman of the Competition Board, put it this week: "Dr Schalk van der Merwe, the Minister of Commerce and Consumer Affairs, has accepted our recommendations following our investigation into the supply and distribution of pharmaceutical products. We are negotiating with the parties concerned. It's a delicate issue and we would like the people concerned to amend their ways voluntarily."

A spokesman for some pharmaceutical organisations said the accusations were not justified and they were now preparing memoranda to present to the Competition Board.

In its findings, the board largely blamed the National Wholesale Drug Association, the South African Retail Chemists' and Druggists' Association and a company formed by the Pharmaceutical Society of South Africa, PSSA Contracts (Pty) Ltd, for creating monopolistic conditions in the industry.

Inquiry

Although the inquiry was originally undertaken in 1975, its findings have only now been made public.

The board also found that:

- Wholesalers through the National Wholesale Drug Association maintained a standard profit margin of 17,5 percent on all medicines regardless of the original cost of the product.
- Manufacturers of pharmaceutical products tendered for business with identical price quotations.
- Retail pharmacies were compelled to buy more than 50 percent of their stock from wholesalers who granted them financial aid.
- Retail chemists, through the South African Retail Chemists' and Druggists' Association, boycotted suppliers who did not sell certain products to them exclusively.
- Manufacturers and suppliers withheld supplies from wholesalers who did not join the National Wholesale Drug Association.
- PSSA Contracts restricted a pharmacist's membership to other schemes and that
- PSSA Contracts members were compelled to have their dispensing done by PSSA Contract suppliers only.

One of the revealing aspects of the board's report is that in 1975 five wholesalers gave loans to pharmacies or held preferential shares worth about R7 million in 274 pharmacies.

These pharmacies were also compelled to obtain about 67 percent of all their purchases from the wholesalers concerned. The enforced purchases resulted from a condition of the loan agreement in terms of which the retail pharmacies concerned undertook to buy a certain percentage of the goods from the wholesaler making the loan.

Although this does not affect the buying of prescription medicines, since all wholesalers have the same set prices for them, it is regarded as restrictive in so far as the buying of non-prescription medicines, toiletries and other goods are concerned.

Contracts

During the investigation the board inspected a number of contracts and also found a provision which binds a pharmacist taking a loan. He has to obtain 75 percent of his purchases from the wholesaler granting the loan for up to three years after the loan has been redeemed in full.

Wholesalers argue the situation has developed because of certain clauses in the Pharmacy Act which makes it impossible for a corporate body or any other person, who is not a qualified pharmacist to own a pharmacy.

Although the board agreed that the financing of retail pharmacies by wholesalers met an essential need, it was highly critical of the demands by some wholesalers on pharmacists to buy more than 50 percent of their purchases from the wholesalers, who had given them loans.

The board also felt it was unjustified for a wholesaler to compel a pharmacist to continue to buy a certain percentage of the stock from him long after the loan had been redeemed.

The board also felt the restriction placed on pharmacists taking loans from wholesalers limited competition and was also possibly calculated to restrict the entry of new distributors.

It has been established that the retail and wholesale prices of prescription medicines are recommended by the manufacturer.

This is done voluntarily because pharmaceutical products are not subject to official price control.

Medicines

The system of recommended prices followed by suppliers of prescription medicines allows the retail chemist a profit margin of 50 percent, calculated on cost price. On non-prescription medicines percentages of 50, 33⅓, 25, 20 and 10 are applied.

Prescription medicines constitute about 32 percent and non-prescription medicines about 29 percent of the turnover of pharmacists.

The proposed resale prices include a fixed gross profit margin of 17,5 percent on the selling price for the wholesalers. In a few exceptional cases a 15 percent margin is allowed.

The board says in its report: "The board has, however, been informed that through the concerted action of the National Wholesale Drug Association suppliers have already, to a large extent, been persuaded to allow a general profit margin of 17,5 percent on all prescription medicines, so that other profit margins apply to certain non-prescription medicines only.

"This fixed profit margin is not based on economic considerations since it is not determined according to the volume of sales, speed of turn-over or other cost and trade considerations."

The report adds: "It was also established that no party deviates from these margins. The board is of the opinion that the members of the NWDA do not negotiate individually or separately with suppliers on prices, but follow a policy according to which uniform wholesale profit margins on pharmaceutical products are maintained by all."

Profit

Although the National Wholesale Drug Association has argued that the profit margins have developed over the years and were generally accepted, the board maintains that this practice points to "collusion" in maintaining a uniform profit margin at wholesale level.

In its recommendation for Government action, the board said the evidence given by the NWDA did not convince them that there was justification for the system whereby wholesalers maintain uniform profit margins in the distribution of certain pharmaceutical products.

The board described it as monopolistic and not in the public interest.

Although there have been allegations that some chemists charged more for medicines bought after normal trading hours, a spokesman for the South African Retail Cehmist and Druggists' Association said this week that the only extra amount a chemist was allowed to charge was 90 cents an item. It was a blanket dispensing tariff which applied only to medicines bought with a prescription and this tariff applied whether the item was bought day or night.

A chemist was not allowed to charge more than the marked price for non-prescription medicines irrespective of the time the medicines were bought.

Another area in which pharmacists have come under fire is in accepting bonuses from suppliers for promoting a specific product.

The board felt the South African Pharmacy Board should watch this practice to determine its effect on the professional image of pharmacists.

"The board has gained

the impression that the bonus system could influence the pharmacist to such an extent that a product is promoted on the grounds of financial incentive involved in its sale and not on the grounds of its medicinal value," the Competition Board says in its report.

Influence is also exerted on the local pharmaceutical industry by multi-national companies. They not only have a big hand in the supply of products but are also able to manipulate prices.

An analysis of the turnover of the 24 major pharmaceutical suppliers, who are responsible for more than 70 percent of the turnover, shows that about 60 percent of this turnover is in the hands of firms controlled from abroad.

This analysis also brought to light that eight firms, controlled from the United States, are responsible for 29 percent of the turnover of the 24 major suppliers.

The South African Retail Chemists and Druggists' Association's action in encouraging its members to boycott suppliers who fail to restrict the sale of certain pharmaceutical products to retail pharmacies only has also been strongly criticised.

The board firmly maintains that this practice to deprive others of the right to deal in goods, which the law allows them to deal in, could have far-reaching repercussions on the country's free economic system unless it is opposed.

Remedy

In justifying its stand, which it terms "non-cooperation" with suppliers, the South African Retail Chemists and Druggists' Association says they also have to contend with supermarkets.

They assert that a remedy sold in a chemist is sometimes sold at a supermarket for 10 to 15 percent less.

In some cases, supermarkets sell medicines at 50 percent less than the chemist's price.

Frans Eckard, president of the 1 800-member South African Retail Chemists' and Druggists' Association, said this week that they had never boycotted a product which was also sold to other retail outlets.

"We follow a policy of non-cooperation to look after our own interests. If a supplier, for instance, puts a product on the open market, we will not promote his other lines. But we will certainly stock it. And if a customer asks for it, we will sell it to him."

He said people could say they were monopolistic if they liked.

"We are highly skilled and highly trained people. We are the distributors of medicine. We take extreme risks, especially these days with sophisticated drugs. We feel that for these risks we should be reimbursed."

He stressed that medicines were manufactured by pharmacists and that its control should be in the hands of qualified people.

Bonuses

Referring to the accusation that some chemists accept bonuses from suppliers to promote a particular product, Mr Eckard said: "While it is true that certain bonuses go with certain medicines, I can quite safely say that a pharmicist will only buy that product when there is a big demand for that particular product."

He said a pharmacist would not push a particular medicine merely because he got a bonus.

"The only way a pharmacist can keep control of medicines is to get all medicines sold through a pharmacy. No medicine that is really effective, is entirely safe today."

He said one of their main aims was to get all medicines sold through pharmacies and not through the retail outlets such as supermarkets.

The board observes in its report that the size of the profit margin is not so much of a concern as the restriction placed on the freedom of the various parties to negotiate individually and independently without outside pressure with regard to prices and profit margins.

3/8/80 SUN ~~58~~ (58) (B.1)

Growing row over riot cover

By STEPHEN ORPEN

THIS week's unsettled labour conditions have drawn attention to a potentially serious gap in insurance cover against politically-motivated riots.

A powerful lobby has developed to encourage Sasria (SA Special Risks Insurance Association) to extend the scope of its cover.

At issue is Government's refusal to enable Sasria to provide cover against consequential loss.

There are signs that Government will now consider a proposal that standing charges — rents, bonds, electricity, interest, salaries and wages — may in future be covered by Sasria.

But prospects of loss of net profit being recoverable look bleak.

The current position is that Sasria, which was formed by companies and Government in the wake of the 1976 riots, provides cover for political riots.

It has a fund estimated at R40-million, the insurance companies which form its membership are committed to another R5-million and Government is accountable for claims that exceed that amount.

Hence Government's crucial role in any decisions on the extent of Sasria's cover.

Don Gallimore, representing the influential view of South Africa's biggest insurance brokers, Priceforbes Federale Volkskas, says South African industry is not being provided with the cover it needs.

Because insurance against loss of profit is too rich for the local market's blood — and that is understandable — cover has to be bought abroad.

And at the moment, with South Africa's unrest getting prominence in the London Press, the overseas market is expensive and limited.

Gallimore estimates the present capacity of the London market at about R10-million — this being the limit for any one loss and in the year of insurance only. And that limited cover, says Gallimore, is expensive.

A typical mining house might, for example, require cover for loss of profit on one of its gold mines for R100-million. Under the present dispensation, such cover is just not available.

Sasria, says Gallimore, who has been involved in detailed examinations of political riot insurance on behalf of PFV, should offer the necessary protection at market-related rates.

There is no point, he says, in replacing an asset if there is no business left by the time the asset is replaced.

Businesses could close down completely, Gallimore warns, adding further to South Africa's unemployment problems.

What he and his supporters find difficult to understand is the reluctance to protect profit. Why, they ask, can profits not be protected in the same way as assets?

In Northern Ireland and Rhodesia, the governments protect both the asset and the profit. Why not in South Africa, they ask?

The PFV view has received the support of organised commerce and industry and of the mining industry and the lobby to improve the extent of cover is likely to grow.

There is also a widely-held view that Sasria's available protection is too expensive.

Sasria came in at double the expected rate in April last year and Gallimore points out that there was considerable resistance to the product from the start.

It has garnered more business since the social and industrial situation deteriorated earlier this year. But there are still indications that many large concerns are spurning the protection on grounds of scope and price.

SENBANK SEES BIG RISE IN SPENDING

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ARGUS
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DISPOSABLE personal income — the amount of money all South Africans will have available to spend after paying income tax — is expected to rise by about 21,5 percent this year, says the Central Merchant Bank (Senbank).

Senbank bases this figure on expectations that salaries and wages will rise by an average of 15 percent, that employment will increase by 3,5 percent and that tax cuts will contribute the balance.

After taking into account the effects of inflation, Senbank estimates that consumer spending this year will rise by about 6,5 percent in real terms.

BOOM YEAR

This compares with an increase of only 2,8 percent last year, and of 6,1 percent in 1974, the previous boom year for the consumer.

The bank expects much of the increase to be spent on durable and semi-durable consumption goods.

Much of the consumers' increased income is expected to be spent on cars.

Expenditure on private transport could rise 17 percent in real terms this year.

Senbank says that in spite of the high rate of inflation the consumer is in a highly favourable financial position.

It adds that pressimistic inflation expectations could lead to accelerated consumer demand.

C.T. 4/8/80

(56)

Tollgate's 10c final

A final dividend of 10 cents has been declared by Tollgate Holdings.

The company also announced yesterday the creation of 9m new shares of R1 each and a capitalization issue of 9 169 689 shares of R1 each in the ratio of 60 new shares for every 100 held on August 15, 1980.

The new shares, to be issued as capitalization shares, will rank pari passu in all respects with the then existing shares in the company and will qualify for the final dividend of 10 cents which the directors have declared for the year ended June 30, 1980.

The directors consider that; provided no unforeseen circumstances arise, the annual rate of dividend on the increased share capital in future years will not be less than 20 cents as was paid in the year ended June 30, 1979. — Sapa

Angolan diamonds

LISBON. — The Angolan diamond mining company, Diamang, produced 675 000 carats in the first six months of this year and expects to reach its 1980 production target of 1,4m carats, the Angola news agency Angop said.

Bold 58 RDM

Senbank sees a spending spree

58 RDM 4/8/80

By HAROLD FRIDJHON

A SHARP increase in real private consumption expenditure this year, with spending on private transport equipment the strongest growth point, is predicted by Senbank in its Economic Opinion which is devoted to an analysis and forecast of expenditure patterns.

The Senbank study forecasts that private consumption expenditure (PCE) will grow at a rate of 6,5% in real terms — which means at constant 1970 prices — compared with a growth rate of 2,8% in 1979, 1,4% in 1978 and a negative growth rate of 1,1% in 1977.

The figures are better than they look because real expenditure on goods, that is PCE less spending on services, is projected to increase by 7,2%.

The high growth rate for consumption is the result of the considerable increase projected for expenditure on durable and semi-durable goods. Non-durable consumption, which consists mainly of spending on food and beverages, accounts for more than 70% of all non-durable goods bought in South Africa and by its nature is highly non-elastic.

And of the durables, real expenditure on private transport equipment will grow by 17,5%, the strongest growth projected of all the main categories of private consumption.

The Senbank analysis says that the high growth rate stems from an analysis of three major sets of determinants: the ability, the need, and the willingness of individuals to spend.

The ability of the consumer to spend is the most important of these three factors and this is determined by current personal disposable income, personal savings and the availability and cost of consumer credit.

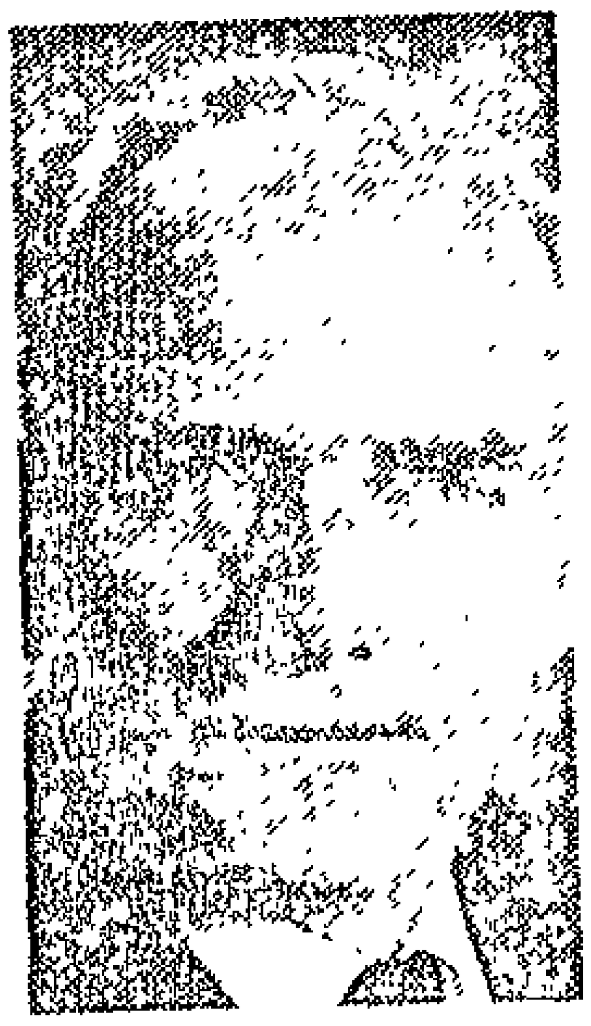
The consumer's financial position is favourable at present in spite of the high inflation rate. Total personal disposable income of salary and wage earners is estimated to rise this year by 21,5% in money terms and 7% in real terms.

After the battering which the consumer took between 1975 and 1978, he rebuilt savings last year. This should have a favourable influence in 1980.

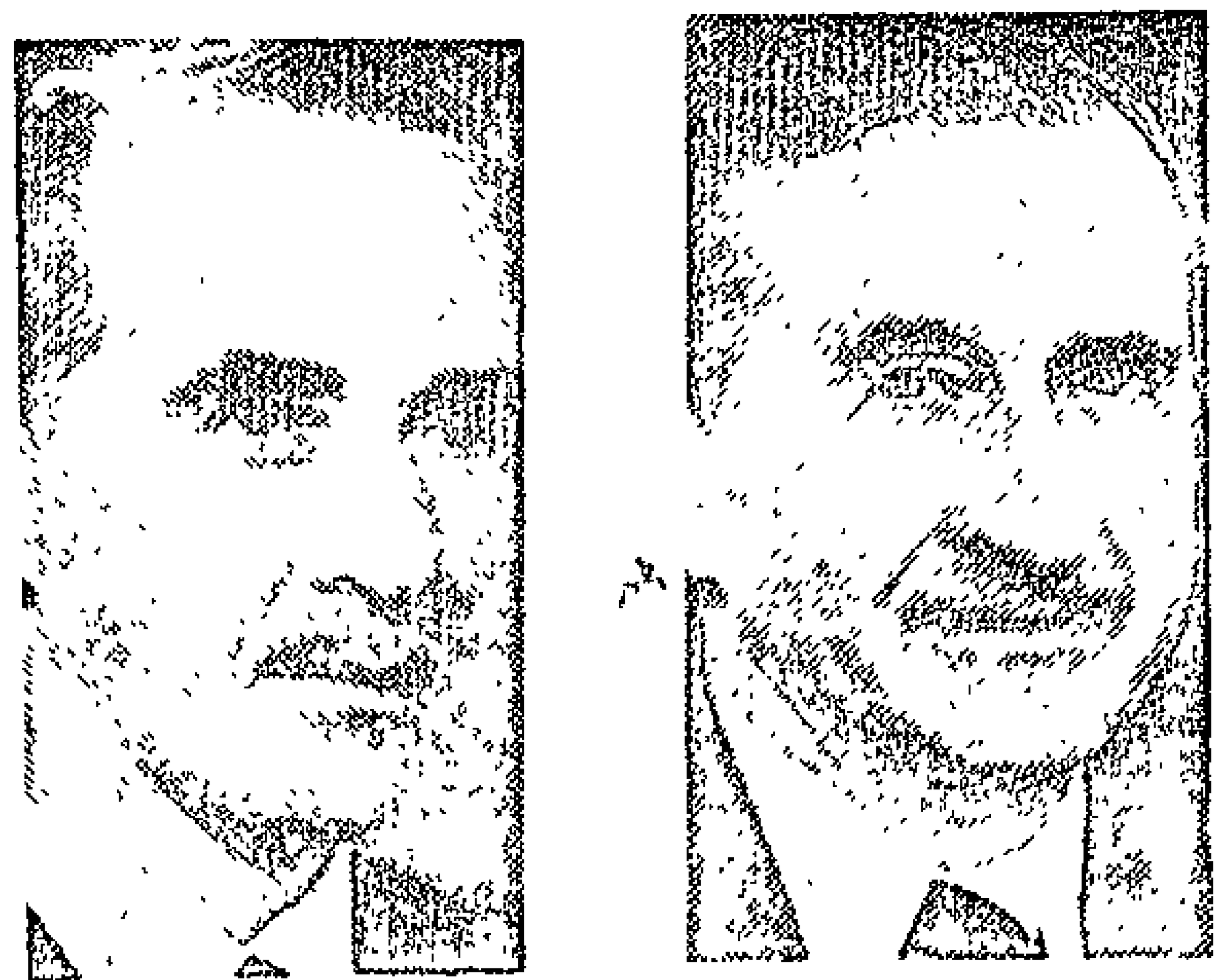
As for the availability of credit, Senbank says that the situation favours the consumer.

On the question of the need to spend, because of unfavourable conditions in 1975 to mid-1979 there is now a pent-up demand for durables and semi-durables, such as furniture and household equipment.

The willingness of consumers to spend is determined by the state of consumer confidence and this is at its highest level in five years. There is another factor and that is the inflationary expectation which induces him to spend now rather than later when prices might be higher.



Dr Jan Hurter, Volkskas chairman for the past nine years, who retires this month.



Two brothers who may be contesting each other's bid for Volkskas Group's top job on Friday — Dr Hilgard Muller (left), former Minister of Foreign Affairs, and Dr Tommy Muller, chairman of Iscor.

12 in Volkskas power struggle

Star 6/8/80

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It is a battle among the giants of South Africa's senior Afrikaans leaders as Friday approaches when Volkskas Group's new chairman will be voted into office.

By Pieter de Vos

Considered as somewhat like the presidency in the Afrikaans business world, many prestigious names in Afrikanerdom are lined up for this post — among them Dr Tommy Muller, chairman of Iscor, and his brother, Dr Hilgard Muller, former Minister of Foreign Affairs.

The new chairman has to be chosen from among the group's 12 directors who represent some of Afrikanerdom's most respected leaders.

STRONG CHANCE

Dr Andre du Toit, chairman of the KWV and vice-chairman of the group, is one of the directors who is considered as candidate with a strong chance of succeeding the retiring chairman, Dr Jan Hurter.

Dr Tommy Muller refuses to comment on newspaper reports about the possibility that he and his brother may be contending for the same position.

But he points out that any director may pull out of the race by formally withdrawing at Friday's meeting.

The other directors are Mr Danie Van Huyssteen, managing director of the group, Mr H O de Villiers of Franschhoek, former vice-president of the Reserve Bank, Dr Kosie Gericke, former Moderator of the Dutch Reformed Church and vice-chancellor of the University of Stellenbosch, Mr Marius Jooste, managing director of the Afrikaans publishers Perskor, Mr Albert Marais, former president of the Afrikaanse Handelsinstituut and chairman-elect of Saambou, Mr Dawie Marais, economist, Professor Wynand Mouton of the SABC, Mr Dirkie Uys, former Minister of Agriculture and Mr Jaap Wilkens, chairman of the SA Agricultural Union.

Dr Jan Hurter has been chairman for the past nine years, but he has to retire as he reaches 72 — the age limit for Volkskas chairmen.

Beeld, who used the struggle for Volkskas' top position as front-page lead yesterday, speculated that the final choice may lie among the Muller brothers and Dr du Toit of the KWV.

ADVANTAGE

Dr Hilgard Muller was mentioned because he had established himself as one of the country's foremost gentleman-politicians.

Dr Tommy Muller was in a favourable position because of his experience as business leader and Dr du Toit held an advantage as vice-chairman of the group, the paper said.

It was reported that MD Mr Danie van Huyssteen would not make himself available for the post and that Dr Albert Marais declined to run.

The retirement of Dr Hurter is seen as an end to an era. His concern for the promotion of Afrikaner business was one of the driving forces in his career.

First-half profits up 34%

Stanbic tempers the good news

(58) RDM 6/8/80

By HAROLD FRIDJHON

IMPRESSIVE half-year figures from the Standard Bank Investement Corporation (Stanbic) to June 1980, with profits 34% higher and the dividend raised from 10c a share to 11c are tempered with a warning that trading conditions in the second half will be only marginally better.

Pre-tax profit for the first half is R44 723 000 which is 39,6% better than in the first six months of 1979 and almost on a par with the profit earned in the second half of last year.

Taxed profit is R28 274 000 compared with R20 905 000 in the June half of last year and R28 355 000 in the second half of the year.

Earnings a shsare are 47c from which 12c is being paid compared with 35c from which 11c was paid. In the second half of last year 47c a share was earned, making 82c for the full year from which dividends totalling 36c were paid.

In the half year Stanbic sold its investment in C G Smith and Company at a capital profit of R8 100 000. This extraordinary profit is not included in the interim figures and will be retained to fund growth.

The directors report that the economic recovery gained further momentum during the six months and that all sectors of the economy are showing improved performances, but they point out that "widespread shortages" of skilled labour and increasing rates of inflation demand urgent attention to avoid hampering economic growth.

With the surpluses generated by the high gold price, liquidity in the banking sector remains high and the directors say that at times the profitable investment of surplus short-term funds was difficult.

The short-term benefit to the commercial banking sector of an artificially high bank rate has begun to fall away. The continued downward pressure on interest rates has caused an increased demand for money market paper at the expense of the more traditional overdraft.

The demand for private consumer lending has continued unabated.

Only marginally better results are forecast for the second half. While increasing business activity and a sustained demand for consumer lending will give good support for the group's performance, allowance will have to be made for:

- a weak demand for overdrafts;
- the cost of increased statutory reserves;
- the continued impact of credit ceilings; and
- the threat of increasing inflation on cost structure.

COMMENT: The report hints that Stanbic's profit margins are likely to be squeezed in the current six months. Except for smaller businesses and consumer credit, the demand for overdrafts is likely to be soft. With the current bank rate, prime rate is 9,5% which is more than 2% higher than large borrowers pay for acceptance credits and more than is paid for other off-balance sheet financing.

The increased statutory reserves could mean immobilising as much as R100-million worth of assets.

Meanwhile the cost of money remains high with the building societies competing in the market for funds and forcing some of the rates higher than they would otherwise have been.

The banks have also lost out on the opportunity of profitably investing some money abroad under the previous forward discount rate system which applied to imports and exports.

Finally, like all other service industries, the banks sooner or later are going to have to face up to the consequences of labour shortages by meeting the inevitable wages demands which can hurt a labour-intensive industry harder than others. And without being able to raise income.

Taking the figures for the second half of last year and scaling them up for the second half of this year would be a misleading exercise. In the second half of last year, the economy was shifting up into top gear and the speed was there; this year it looks as if that acceleration might be lacking and the cost-profit squeeze might mean a reduction of speed for the banking sector.

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Volkskas denies Muller brothers leadership quest

By DAVID CARTE
Deputy Financial Editor

VOLKSKAS HAS described as "absolute nonsense" reports in the Afrikaans Press that the brothers Dr Hilgard Muller, former Minister of Foreign Affairs, and Dr Tommy Muller, chairman of Iscor, were engaged in a "struggle" for the chairmanship of the R4 000-million Afrikaans banking empire.

Volkskas is to choose a new chairman on Friday to replace Dr Jan Hurter, who is to retire.

A spokesman for Volkskas says that any one of the 12 directors of Volkskas is eligible for the chairmanship and that it is not true that the contenders are lobbying and jockeying for position as if Volkskas were the caucus of the National Party.

But the brothers Muller and the managing director of Volkskas, Mr Danie van Huyssteen, are widely tipped as leading contenders for the top post.

Sources close to the group said the leadership question had come up too soon for Volkskas's convenience.

They believe that Dr Hilgard Muller, who is 66 and would have to retire at 72, would make an excellent stop-gap chairman. As a "gentleman politician", he is widely liked and respected. He was seen as a statesman with few enemies.

But his financial credentials are not as substantial as those of his brother or Mr Danie van Huyssteen. If Volkskas were looking for a more permanent chairman, one of these two would probably be preferred.

Mr Van Huyssteen is on record as saying he is not particularly interested in the chairmanship. One problem with appointing Mr Van Huyssteen would be to find another managing director of his calibre.

Volkskas watchers say that since the death last year of Dr Erasmus, the apparent crown prince of Volkskas, there has been no obvious successor to Mr Van Huyssteen.

Mr Laurie Korsten, present managing director of Volkskas Merchant Bank, has the track record and unexcelled financial credentials, but sources close to Volkskas say he is too young and does not have the necessary contacts in Pretoria to become MD.

Perhaps in another five or six years, they say, he could become eligible, which would make a stop-gap chairman a good idea.

Iscor's relationships with Volkskas have long been close and influential and Dr Tommie Muller must be a strong contender for chairman.

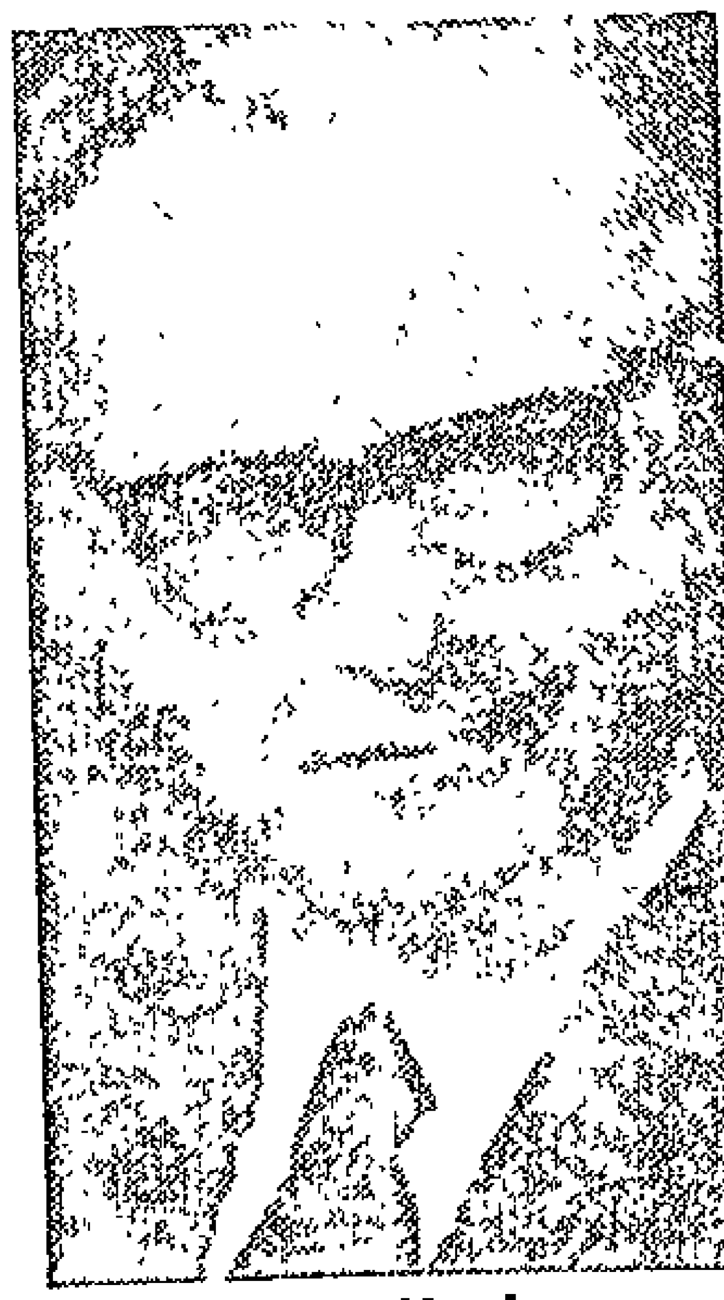
Other contenders in the race are Dr Andre du Toit, chairman of the KWV and deputy chairman of Volkskas, and Mr H O de Villiers, a former vice-president of the Reserve Bank. Mr Albert Marais, chairman of Saambou Nasionaal and former president of the Afrikaanse Handelsinstituut, would have been a candidate, but has reportedly recused himself since being appointed chairman of Saambou Nasionaal.

Other directors of Volkskas are Dr JS Gericke, vice-chancellor of Stellenbosch University and a former Moderator of the NG Kerk, Mr M V Jooste, Dr M D Marais, Professor WL Mouton and Mr D C H Uys.

De Kock to succeed De Jongh

(58)

RDM 7/8/80



Dr De Kock

By HAROLD FRIDJHON

DR GERHARD de Kock, senior Deputy Governor of the Reserve Bank, will take over as Governor when Dr T W (Bob) de Jongh retires at the end of the year. Dr De Jongh announced his early retirement yesterday — a move which caused considerable comment in banking circles.

It was totally unexpected, particularly ahead of the bank's annual meeting at which it is expected that he will make important policy pronouncements.

Gerhard De Kock joined the Reserve Bank as an economist after he graduated PhD at Harvard. Between 1966-67 he was a special economic adviser to the Treasury and in 1968 he was appointed an alternate executive director of the International Monetary Fund, where he also served on the committee which studied reforms of the IMF.

Dr De Kock played a prominent role in negotiating the gold agreement with the United States which culminated in the two-tier gold system which led to the recognition of the free market for gold.

Perhaps the role in which he is best known in recent years is as chairman of the De Kock Commission inquiring into monetary system and policy. The commission's first report has paved the way for the resuscitation of a free market system in this country..

Recently he was appointed coordinator of efforts to set up a regional economic grouping linking South Africa, its self-governing homelands and neighbouring states.

The appointment of Dr De Kock to the governship means that he will occupy the chair which was filled with such distinction by his father, Dr Michael de Kock, an outstanding Governor who at one time was the doyen of world central bankers.

Dr De Jongh who is a graduate of three universities — Stellenbosch, Columbia (USA) and Pretoria — has been Governor since 1967. He joined the Reserve Bank in 1946 as head of economic research and statistics and in 1962 he was appointed executive assistant to the then Governor, Dr Gerard Rissik.

He said yesterday that when he accepted his third term in 1977, he told the Minister of Finance that he would not be bound to serve the full five years.

The main areas of discussion yesterday when the news of Dr De Jongh's resignation came over the ticker were what prompted the early retirement? He was to have retired in 1982.

The prompt action by the Minister of Finance, Senator Owen Horwood, has put paid to any conjecture about the succession. One reservation that observers had was whether Senator Horwood was prepared to break up the troika of De Kock, De Loor and Brand which has successfully brain-trusted South Africa towards a freer market economy.

On the other hand, with Dr De Kock at the Reserve Bank that policy might move a little faster than it has done. And in the future a still faster pace will be needed if Senator Horwood accepts the second part of the De Kock Commission report which is expected to bring big changes into the banking system and the foreign exchange fields.

It is an open secret in banking circles that Dr De Jongh has not seen eye to eye with the Treasury on certain aspects of policy and on the way policy should be implemented. Dr De Jongh has always believed in controls from the top and a rigid discipline. The "new look" in policy is for fewer controls which would be exerted through market forces rather than through diktats.

It is possible that the clash of personalities and principles came to a head at a recent meeting in Pretoria in which monetary, fiscal and economic policy was discussed embracing such subjects as inflation, money supply, controls on bank lending, and whether the economoy should be cooled down because, as some aver, it is overheating.

It is known that Dr De Kock sees more scope ahead for growth and that he is opposed to taking any steps now that would slow down the boom. Dr De Jongh's record is one of caution with a deep-rooted phobia about inflation.

The reasons behind the resignation will never really be known — except perhaps that he is tired. He has held office through some trying years and he has always shown a dogmatic strength of character to force through unpopular policies which he held were for the long-term good of the country.

As Senator Horwood said last night, Dr De Jongh had an exceptionally distinguished career and that he had accepted with regret Dr De Jongh's decision to retire.

Volkskas sugar sees a good year

RDM 7/8/80 (58)

By SHAUN HOLLICK

THE wholly owned Volkskas subsidiary, Transvaalse Suikerkorporasie (TSB), turned in improved financial results in the year to March 31 and is looking for "good results" in the current year.

The chairman, Dr J A Hurter, says in the annual report that TSB's canelands in the Eastern Transvaal Lowveld have not been as badly affected by drought as those of the Natal growers and TSB will produce about 1 500 000 tons of cane next season — the same as last year.

Dr Hurter says the world market has become much firmer and it is hoped that all planting restrictions on the South African industry will be lifted.

There is reason to expect a "considerably more favourable" sugar export price this season TSB also expects the London daily price of unrefined sugar to balance out closer to £300 a ton (£100 a ton).

The group's liquidity was improved by the results of the past two years to such an extent that loans, mortgages, debentures and preference shares amounting to R3 877 616 were repaid

TSB's production exceeded all previous peaks. A total of 167 295 tons (164 685 tons) of sugar was made from 1 503 854 tons (1 486 344 tons) of cane, says the report.

The agricultural section of the company (primarily sugarcane growing, but also citrus and sub-tropical fruits) improved.

Citrus turned in satisfactory results accounting for 18,4% (22,9%) of pre-tax net income.

On a larger turnover of R46 900 285 (R40 050 588) net income before taxation was rose 31% to R10 397 780 (R7 902 676). The tax bill rose sharply as assessed losses were used up, with the result that taxed income increased 13% to R6 039 484 (R5 329 992).

No struggle for top post, says Volkskas

JOHANNESBURG — Volkskas has described as "absolute nonsense" reports in the Afrikaans Press that the brothers, Dr Hilgard Muller, former Minister of Foreign Affairs, and Dr Tommy Muller, chairman of Iscor, were engaged in a "struggle" for the chairmanship of the R4 000 million Afrikaans banking empire.

Volkskas is to choose a new chairman tomorrow to replace Dr Jan Hurter, who is to retire.

A spokesman for Volkskas said any one of the 12 directors of Volkskas was eligible for the chairmanship and it was simply not true that the contenders were lobbying and jockeying for position as if Volkskas were the caucus of the National Party.

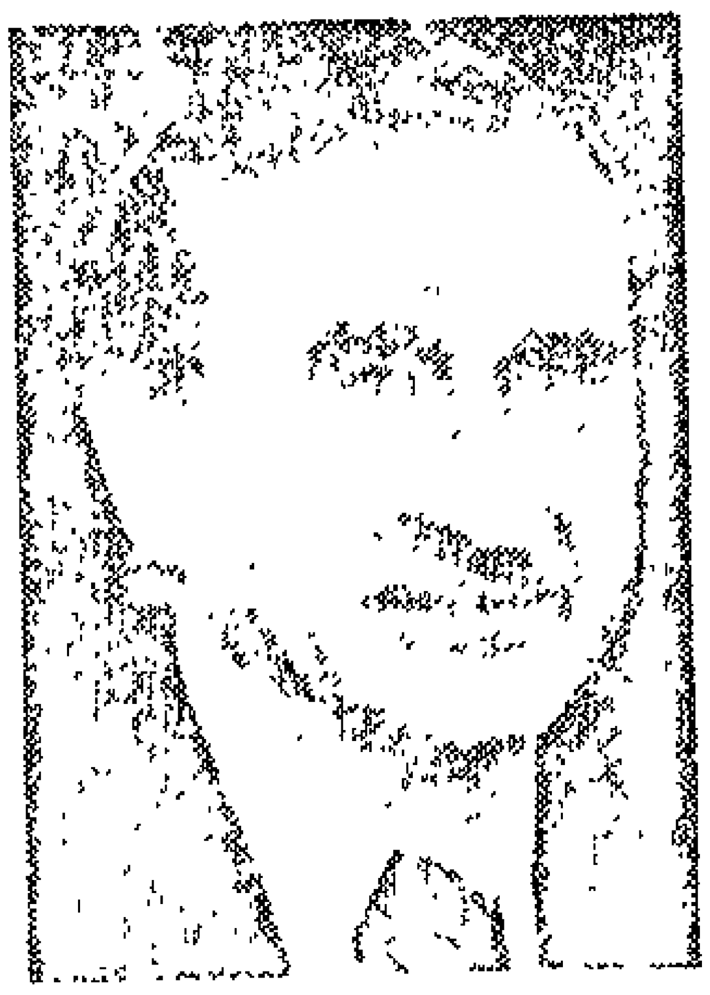
But the brothers Muller and the present managing director of Volkskas, Mr Danie van Huyssteen, are widely tipped as leading contenders for the top post.

Sources close to the group said the leadership question had come up too soon for Volkskas's convenience.

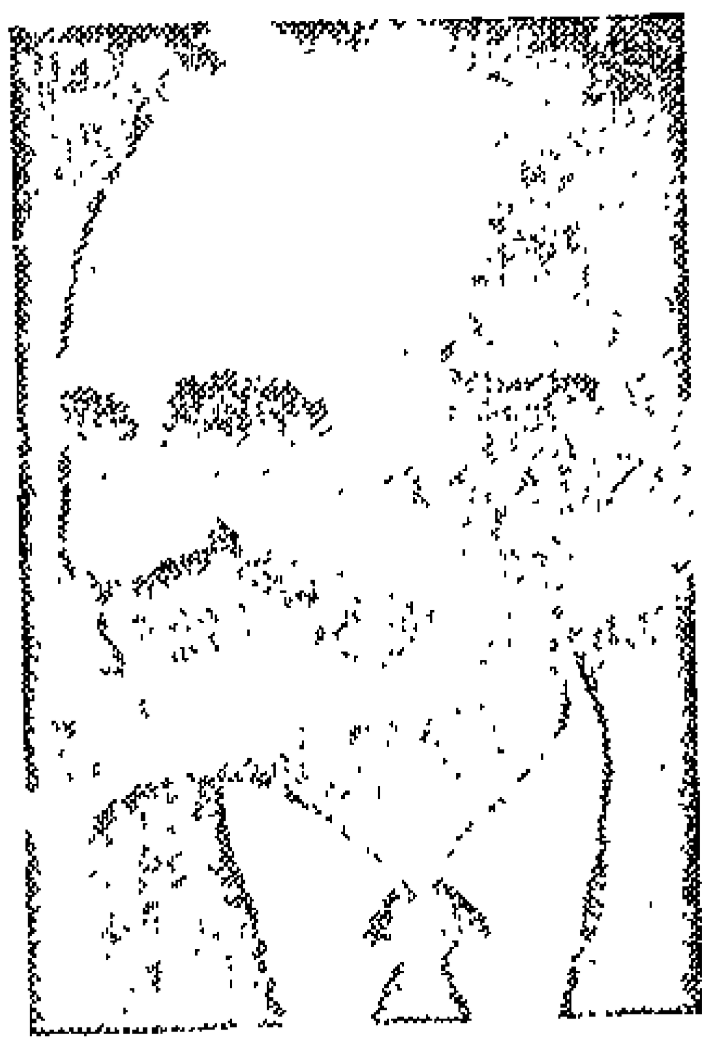
They felt that Dr Hilgard Muller, who was 66 and would have to retire at 72, would make an excellent stop-gap chairman. As a "gentleman politician", he was widely liked and respected. He was seen as a statesman with few enemies.

But his financial credentials were not as substantial as those of his brother or Mr Danie van Huyssteen. If Volkskas were looking for a more permanent chairman, one of these two would probably be preferred.

Mr Van Huyssteen is on record as saying he is not particularly interested in the chairmanship. One



DR TOM MULLER



DR HILGARD MULLER

problem with appointing Mr Van Huyssteen would be to find another managing director of his calibre.

Volkskas watchers say that since the death last year of Dr Erasmus, the apparent crown prince of Volkskas, there has been no obvious successor to Mr Van Huyssteen.

Mr Laurie Korsten, present managing director of Volkskas Merchant Bank, has the track record and unexcelled financial credentials but sources close to Volkskas say he is too young and does not have the necessary contacts in Pretoria to become MD.

Perhaps in another five or six years, they say, he could become eligible, which would make a stop-gap chairman a good idea.

Iscor's relationships with Volkskas have long been close and influential and Dr Tommie Muller must be a strong contender for chairman.

Other contenders in the race are Dr Andre du Toit, chairman of the KWV and deputy chairman of Volkskas, and Mr H. O. de Villiers, a former vice-president of the SA Reserve Bank.

Mr Albert Marais, chairman of Saambou Nasionaal and former president of the Afrikaanse Handelsinstituut, would have been a candidate but has reportedly recused himself since being appointed chairman of Saambou.

Other directors of Volkskas are Dr J. S. Gericke, vice-chancellor of Stellenbosch University and a former Moderator of the N G Kerk, Mr M. V. Jooste, Dr M D Marais, Professor W L Moulton and Mr D C H [illegible] — DDC

Examiners' Initials		

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WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

examination book(s) are used.

4. Do not write in the left hand margin.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Interbank pleased at official action in money markets

(55)

RDM 8/8/80.

By HAROLD FRIDJHON

THE outstanding development on the money market in 1979-80 was the extent to which the monetary authorities gave greater recognition to the market mechanism in exercising their regulatory function, says Mr C H J van Aswegen in his Interbank chairman's review.

Interbank Discount House is a money-market institution with widespread ownership which includes several banks, major insurance groups and other financial institutions.

Mr Van Aswegen says the authorities tried to drain excess liquidity by selling paper to the market to prevent interest rates from declining further or to avoid excessive credit creation. Their dilemma, however, was that as economic growth was a policy priority, any drastic increase in interest rates was regarded as undesirable.

But because of the expectations of higher interest rates, institutions were not inclined to buy paper with maturities of much longer than six months and then at current rates. This meant that if they wished to drain off the liquidity the monetary authorities either had to offer very short-term paper or to push up rates to make longer-dated paper attractive to buyers.

This was probably a contributory factor towards long-term rates rising more rapidly than seemed justified.

The amount of liquidity which had to be drained was greater than the Reserve Bank's portfolio and at times additional assets had to be obtained from the Treasury and the Public Debt Commissioners. The Reserve Bank also issued debentures and subscribed heavily for two Treasury stock issues which were subsequently sold off to the market.

Mr Van Aswegen raises two points arising from these Reserve Bank transactions.

- If these dealings maintain present proportions how will the profits or losses be handled?
- With the Reserve Bank taking up large proportions of new loan issues and then selling the stock to the market, the situation might arise in which the private sector might not be given the opportunity of subscribing to new issues. And then if the Reserve Bank can't sell off the stock, this would mean Government financing by central bank credit which would be inflationary. To avoid this the Reserve Bank might push rates up too much to dispose of the stock.

With the ghosts of Rand Bank and Rondalia Bank finally laid, Interbank not only stepped up its profit for the year to June 1980 by 33% but ensured that future profits would not be diminished by its past involvement with those two banks.

Interbank's profit passed R1-million for the first time at R1 024 729 after tax and transfers to inner reserves. This compares with R770 514 in 1979. With a final of 18c a share, total dividends are 31c against 26c last year.

Total assets have grown by 14,4% to R206-million after the bank's ninth trading year.

The improvement in profit results from an increased turnover of money market assets as well as from greater market penetration, says Mr Van Aswegen.

COMMENT: Interbank's growth also reflects the growth in the money market itself. From the high profit margin revealed after heavy transfers to inner reserves it is obvious that the bank's policy is to be a jobber in stocks and probably not only the short-dateds. It is reasonable to assume that turnover was many times the assets, the stock-in-trade, shown at balance sheet date.

A disturbing aspect of Interbank is that the founders' intention that no single institution would have a dominant shareholding has been upset by Sanlam-Bankor getting control of Trust Bank and Rand Bank. This gives the Sanlam-controlled institutions a 22,5% holding in a banking company in which no other shareholder has more than a 7,5% share.

In view of the recommendations of the Franszen Commission and the Registrar's attitude to insurance companies controlling banks, this Sanlam group shareholding should be diminished. I am sure than other banks would gladly buy Interbank shares as an investment; it earns 28% and pays 22,5% on shareholders' funds of R4 291 000.

Short-term insurers' solvency to be probed

58

RDM 8/8/80

THE MINISTER of Finance, Senator Horwood, said in Johannesburg last night that as soon as the advisory committee on short-term insurance had been appointed he would ask it to investigate the adequacy of the solvency margins prescribed for short-term insurers by the Insurance Act.

He wanted the committee to investigate measures, if any, which should be introduced to ensure that such margins were not weakened by undue rate cutting.

Senator Horwood was speaking at the official opening of the head office building of the Robert Enthoven Nebicon group and the launching of the Hollard Insurance Company.

He said that over the years the South African insurance industry had earned itself the respect of insurance underwriters worldwide.

"I believe that the insurance laws . . . Have contributed materially to the development of an effective and financially sound insurance industry in South Africa.

"It goes without saying that excessively low — that is, uneconomic — premium rates are not in the interests of underwriters or, if the solvency of insurers is thereby endangered, of the insuring public.

"After all, insurers can maintain solvency and continue to meet their commitments to policyholders only if their premium income is sufficient to cover claims, commissions and administration expenses."

Underwriting results of short-term insurers for 1976 to 1978 showed that they suffered losses of R15 500 000 in 1976, that in 1977 they made underwriting profits of R5 800 000, and that they succeeded in increasing their profits to R17 800 000 in 1978.

"These improvements in underwriting profits were brought about not only by a favourable claims experience but also by the returns earned on their investments, but for which their final profits would have been minimal.

"There are short-term insurers and insurance brokers in South Africa, no doubt, whose escutcheons have not been blotted by a premium rate war.

"I consider it a matter of public importance that excessive competition should not be allowed to force premium rates down to a point where profit margins are in danger of disappearing altogether." — Sapa.

SA Eagle boosted by investment income

RDM 8/8/80

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By DAVID CARTE
Deputy Financial Editor

SUBSTANTIALLY higher investment income offset a significant drop in the underwriting income of SA Eagle in the six months to June 30 and operating profits more or less level pegged at R3 727 000 (R3 722 000).

Because dividend income is tax-free in the hands of companies, the tax rate plummeted from 38% to 24% and taxed attributable profit rose 22,7% to R2 832 000. Earnings a share were 23,9c compared with 19,5c in 1979.

According to the interim report, fierce competition has meant that the economic upturn has not yet been felt in the insurance industry. As expected, the report says, underwriting profit was lower and claims costs continued to escalate in line with inflation.

The report warns that a general increase in premiums appears to be inevitable.

The managing director, Mr Fred Haslett, tells me motor experience was particularly unfortunate, even though premiums written rose sharply in line with new vehicle sales. Claims costs were sharply higher and there was a big increase in vehicles stolen, many of which were not recovered.

The crime rate generally was higher. Fire and marine experience was better. Investment income rose "very substantially".

Mr Haslett said he had no idea when SA Eagle would receive a dividend from its 25% stake in African Eagle Life. He said that in a time of high liquidity and low interest rates, funds were probably better retained in African Eagle.

Mr Haslett expected competition to lessen. At the same time he was confident that investment income would continue to rise, so he was optimistic about SA Eagle in the medium term.

COMMENT: SA Eagle is probably the most conservative of the short-term insurers. Underwriting profits are stated only after the most generous unintimated claims and contingency provisions. African Eagle earnings are not equity accounted.

So declared earnings are of exceptional quality.

With investments and the African Eagle investment in at cost and many assets written down and some not even included in the balance sheet, assets are also conservatively stated.

If rates are to rise across the industry, as SA Eagle expects, the company can only do much better. Now that private fixed investment in the form of new factories, machinery and plant, offices and houses is starting to move, overcapacity in the insurance industry could quickly be taken up.

So the future is bright and it will be surprising, if, at the yearend, SA Eagle is not still at least 22% ahead with earnings and the dividend does not move in line

DAWN RAIDS

(923A) (55)

De Beers, LSE 'not impressive'

Citizen 5/8/80

The Star Bureau

LONDON — While important changes in British company law could result from De Beer's controversial "dawn raid" on the shares of Consolidated Gold Fields, Fleet Street financial editors feel there is still a "reluctance" to admit that there was anything wrong with the deal.

But there is a general consensus, following the publication of the Department of Trade's report on the deal, that De Beers Mining Company comes out of the report badly.

One city editor, Patrick Lay in the Daily Express, says that Mr Harry Oppenheimer, has tarnished his "Mr Nice Guy" image by resorting to his back door methods of gaining the 25 percent stake in Gold Fields.

The report by two investigators, ordered by the Department of Trade following an outcry over the covert buying of shares by De Beers, was given prominence in most of the serious Fleet Street newspapers.

In his analysis of the report the financial editor of The Times says that while De Beers comes out of the report badly, the behaviour of our Stock Exchange is also 'hardly impressive."

He was referring to the "alarmingly off-hand response" by the Stock Exchange to the increasing urgent demands from Consgold to put their shares on the "talisman system" which they felt — though the inspectors did not agree — would have revealed the buyer.

"Given all the evidence, it is hardly surprising that the inspectors have concluded that De Beers stalked Consgold using a system designed specifically to avoid its exposure under the 5 percent rule," says The Times analysis.

"But the inspectors were finally not convinced this system could have worked, if it had operated perfectly, which it did not."

The Guardian's financial editor says it "seems certain" that De Beers will be prosecuted for its "accidental breach of company law."

Ical slow, but NEI 26% ahead

4892 (58) RDM 8/8/80

By DAVID CARTE
Deputy Financial Editor

IN SPITE of under-budget profits at Ical, its wholly owned subsidiary and biggest profit contributor, Northern Engineering Investments pushed up turnover 77% and pre-tax profit 26,5% in the six months to the end of June.

The interim report shows turnover up from R34 995 000 to R61 985 000 and pre-tax profit from R3 245 000 to R4 118 000.

The tax rate was more or less constant on 40% and taxed attributable profit was 28% ahead at R2 471 000 (1979: R1 926 000). Earnings rose 28% to 47,9c (37,4c) a share and the dividend was raised in line from 11c to 14c.

The rise in profits and turnover was partly due to higher turnover in Ical and partly to the inclusion of Reyrolle Parsons and one or two smaller new acquisitions for the first time. Because they are into lower margin areas of engineering, the acquisitions also had the effect of reducing margins.

The managing director, Mr H "Blitz" Bieber, tells me order books are "very healthy" and that although profits on some Ical contracts were below budget, they were still profitable. Mr Bieber says these contracts have been conservatively allowed for and are now behind Ical.

He is therefore optimistic for the future, forecasting better profits in the second half.

COMMENT: The second half is traditionally better, so this is not a bold forecast and it would be disappointing if it were not easily beaten.

Ical takes profits on contracts conservatively. Policy is to take losses in full as and when they become apparent. But only the smaller portion of profits comes to account before completion, so most profits come to account on completion of contracts.

Some contracts run over more than a year, so it is probable that the group is still working through contracts signed at low margins some time ago. Margins today must be far healthier, so profits should improve sharply from here. But the company is not geared, so one would look for steady rather than super dynamic growth.

If the group does earn only the same again in the second half, earnings will be 96c a share, a 27% improvement on 1979. Cover in 1978 and 1979 at 2,4 and 2,5 was reduced sharply from nearly 4 in 1976 and 1977. Assuming cover of 2,5, the dividend could be 38,5c for the year, which puts the share on a prospective 6,3% — more or less in line with the industrial average, which is attractive.

Gen Malan calls for war on inflation

8/8/80

Own Correspondent

The public and private sectors should make a concerted effort to implement an anti-inflationary strategy, the chief of the Defence Force, General Magnus Malan, said today.

Addressing the annual meeting of Volkskas group in Pretoria, he said the economy was "one of the major battlefields in the total onslaught upon South Africa."

Despite efforts by the State and private sector, inflation remained higher than 10 percent.

The disruptive effect of inflation on the allocation of resources and on economic growth was all too familiar. Curbing inflation was a prerequisite for long - term econnomic growth.

The public and private sectors should make an effort to fight inflation effectively as soon as possible.

General Malan said the Defence Force had an important contribution to make. Together with the increasing threat to security, inflation had, during the 1970s, contributed strongly to defence expenditure.

The Defence Force tried, however, to keep inflation in check by increasing effectiveness and efficient management.

A "virtually unbridled" population growth demanded the creation of about 250 000 job opportunites a year. More than R10 000 was needed to create a single job

General Malan said the shortage of skilled labour, led to unemployment among the unskilled.

Volkskas chairman announced

(58)
STAR
8/8/80

Dr Andre du Toit

Dr André du Toit of the KWV was today elected chairman of Volkskas group.

The position is regarded as one of the most prestigious in the Afrikaner financial world.

Dr du Toit was vice-chairman of the group and was considered one of the strongest contenders for the position.

He is chairman of the KWV and serves on many agricultural bodies. He succeeds Dr Jan Hurter, who retires today after 38 years with Volkskas.

Dr Tommy Muller, chairman of Iscor, was elected vice-chairman.

Sanlam

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CAPE TOWN. 4 - In a R12 400 000 transaction, Sanlam has acquired from National Acceptances land and a development agreement for the construction of a complex in Claremont, Cape Town, which includes a corporate headquarters and supermarket for Pick 'n Pay.

Sanlam takes over the complex from National Acceptances. On completion of the proposed development on the consolidated site of 13 000 sq metres, National Acceptances will act as project co-ordinators managing the construction by LTA and will also let space. The total project is to be completed by the end of March 1982.

The development is sited at the corner of Main and Camp Ground roads at the edge of Claremont's central business district, and will provide for a supermarket of 4 592 sq metres and for speciality shops covering a further 2 564 sq metres. — Sapa.

58

Star 9/8/80

Farming link for Volkskas

By Pieter de Vos

Dr Andre du Toit, Volkskas' new chairman, has strong links with agriculture.

He is chairman of the board of KWV and is well-known for his efforts in marketing South African wines overseas.

In 1961 he was nominated as the farmer who contributed most to South African agriculture and in 1963 represented the country at the World Food Association in Washington.

Since 1952 he has been a member of the General Council of the South African Agricultural Union.

He is a director of Saambou, Rand Mines, Power Supply Company, Total, African Oxygen and Bonuskor.

This week on the JSE

Investors wary over gold

By Pieter de Vos

The gold market tended to move sideways this week with investors watching the gold price warily. Some heavyweights, however, added anything from 200c to 500c to their Monday prices.

The sideways movement was most evident among the more speculative, cheaper issues. A heavyweight such as Randfontein was 500c higher than on Monday.

Yesterday the gold price was stable above the 630 dollar level, leading to higher prices in the gold market, but the mood was cautious with no strong investment interest.

Investors on the JSE in other metals and minerals seemed uncertain about the immediate prospects. Despite steady rises recorded among commodities trading was mixed and price movements were small.

Palamin's much improved results were largely ignored by the market this week. Rusplat showed one of the strongest weekly movements in the metal sector, rising by about 55c from Monday's price of 680c.

Diamonds were mixed with De Beers dropping slightly. Although several sectors were somewhat dull, coal shares were the exception, showing rises over a broad front this week. Energy stocks are still high on analysts' lists.

Trading volume was steady with local demand tapering off and some overseas selling. The financial rand was maintained at 86,5 US cents, reflecting a discount to overseas investors of about 34 percent.

The hesitant market mood filtered through to industrials. Investors are closely watching for any signs of further rises in interest rates — widely expected as the economy experiences a boom.

Barlows showed little change on news of its sugar deal with Anglo American.

Some of the brighter spots this week were Hugh Parker, rising on its chairman's report, and Cadbury-Schweppes, which appreciated by almost 24 percent on excellent results and dividend.

In general, company profit statements have continued to be very good but, because so many profit statements have already been discounted, immediate market reaction has been muted.

Booming Barclays record

(58)

RDM 9/8/80

By DAVID CARTE
Deputy Financial Editor

THE BOOMING economy generally and soaring consumer spending in particular lifted Barclays National Bank's operating profit to a record R55 500 000 in the six months to June 30.

The interim report shows taxed profit at an all-time high for a half-year at R34 800 000. Earnings a share were 65,4c and the dividend 26c.

Because Barclays has changed its yearend, figures for the same six months of 1979 are not provided. But taxed profit was 39% better on an annualised basis than in the 15 months to the end of December, Barclays last reporting period.

Perhaps an even better indicator of improved fortunes was that return on shareholders' funds is up from 16,7% in the most recent accounting period to a record 21,7%.

The half-year balance sheet shows shareholders' funds up nearly 40% since the yearend. Total deposits rose 11,6% to R5 260-million, total assets 15% to R7 847-million and advances and other accounts 10% to R3 295-million.

Barclays managing director, Mr Bob Aldworth, ascribed the successful half-year to booming consumer finance, a 7% increase in lending in the commercial bank and the containment of operating costs.

The commercial bank, he said, had come back strongly in the half-year. Not only were lendings up appreciably, foreign exchange profits were better, despite fierce competition and demand for project finance was strong.

Wesbank profits had also grown "substantially", thanks largely to the strong demand for vehicles and other consumer durables. Recent tax cuts had added to this, but there was an eight-week waiting list for many vehicles and this could be a temporary depressant in the HP market. But there was sufficient momentum in Wesbank's HP book to ensure an excellent second half as well.

Merchant banking profits were "in line with those of last year", while insurance broking profits were up 35%, he said.

Before declaring these profits, Barclays had set aside "between 1% and 1,5% of total advances" as a routine "general" provision for bad and doubtful debts and a further undisclosed amount for "specific" bad debts, Mr Aldworth said.

Because the group's bad debt experience had improved, the specific provision this half-year was less.

Mr Aldworth said Barclays had a comfortable capital surplus, which would allow it to take another R600-million in deposits if it so wished. Like most banks, though, Barclays was up against its credit ceiling.

But Mr Aldworth said he was optimistic about immediate prospects for the group. He did not foresee hard application of the economic brakes in the immediate future and believed the demand for consumer credit would level off soon.

The skilled labour shortage was a bigger problem than the expanding money supply.

COMMENT: Consumers normally spend heavily at the end of the year and with tax cuts behind them and pay increases ahead of them, this festive season could develope into a positive orgy — unless there are controls.

Deflationary measures do seem probable in the near future. Lower credit ceilings are unlikely. In fact credit ceilings could soon be scrapped, which would be positive for bank profits.

But the authorities are likely to toughen up HP conditions and could do something to curb credit cards. Higher liquid asset requirements are also a prospect. The authorities also want interest rates to rise, and failing a much higher gold price, their will will probably be done.

All these measures would be bad news for banks, which have prospered with deposit rates falling faster than lending rates and HP spending booming.

But if profit growth slows, it will not do so immediately.

Hard brakes on the economy are extremely unlikely and Barclays is already seven months down the road to its yearend with plenty of momentum behind it. There is therefore little doubt that Barclays will do even better in the second half. Level-pegging would suggest earnings of 130c. I would think 150c for the year would be easy running for Barclays.

Considering that the bad debt provision of 1,5% of total advances comes to nearly R50-million, earnings are of excellent quality.

Dividend cover at the interim was up from 2,3 to 2,5, indicating perhaps that Barclays expects some of its capital surplus to be used up in the spending binge at the end of the year. If cover at the yearend is held at 2,5, the total dividend could be 60c — a 20% improvement on that of 1979.

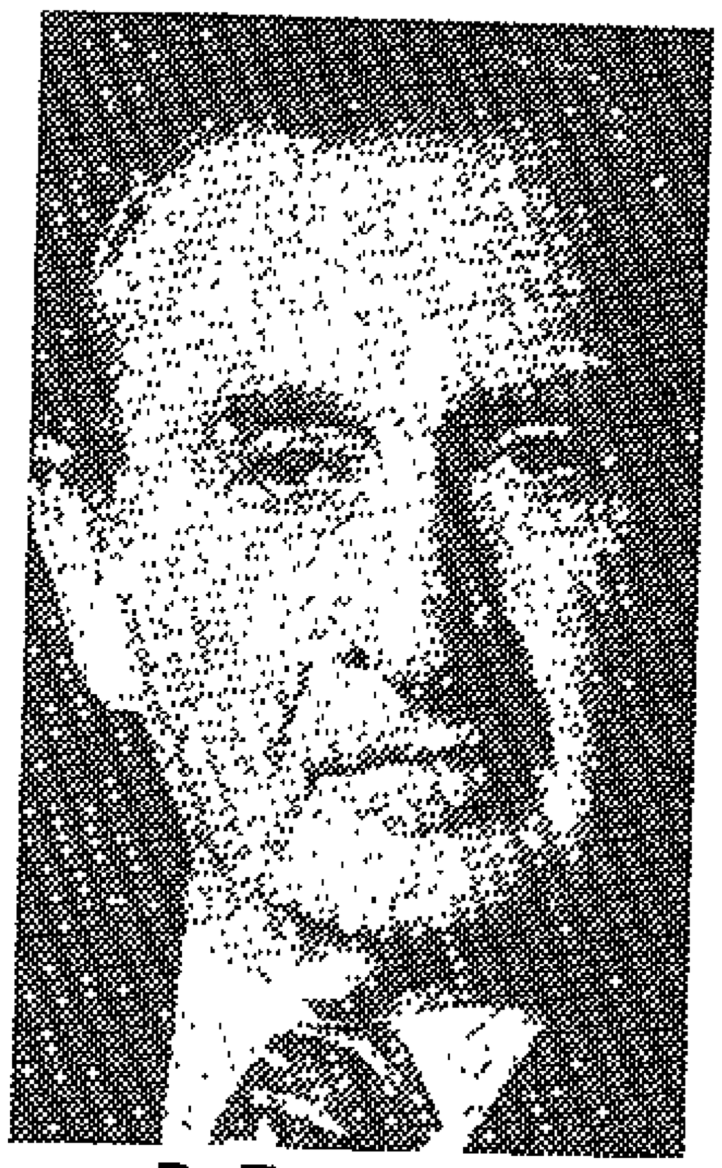
With the share up from 870c since the beginning of the week, these results were largely anticipated, probably because Stanbic's provided an indicator. The total dividend I expect would put the share at 930c on a prospective yield of 6,4%, which for South Africa's biggest bank is reasonable in spite of the clouds on the one-year horizon.

Volkskas top job goes to the Cape

58

RDM 9/8/80

Dr Andre du Toit



Dr Tom Muller

By DAVID CARTE
Deputy Financial Editor

DR ANDRE J du Toit, chairman of the KWV, Cape Wine & Distillers and Boland Bank, was yesterday elected chairman of Volkskas Group, the R4 000-million banking and industrial group.

Dr Tommie Muller, chairman of Iscor and Amcor, was appointed deputy chairman.

Although Dr Du Toit was deputy chairman of Volkskas before the retirement of Dr Jan Hurter, many Volkskas observers were surprised at the appointment.

This was because of Dr Du Toit's agricultural and viticultural instead of banking background and because he lives in the Cape, and Volkskas has always been regarded as a Northern Afrikaner operation, with Iscor and Escom, an arch-rival to Sanlam and Cape Afrikaans business interests.

Some observers said the appointment looked like a conciliatory move designed to show the Cape that Volkskas was a national rather than a Northern Transvaal operation.

After suggestions in the Afrikaans Press that brothers Dr Hilgard and Dr Tommie Muller were engaged in a struggle for the chairmanship, there was a tight veil of secrecy over yesterday's board meeting.

If any members of the 12-member board were not available for election, this was not revealed.

Favourite for the appointment before the election was the present managing director of Volkskas, Mr Danie van Huyssteen. But although this could not be confirmed, Mr Van Huyssteen is believed to have recused himself because he wishes to retire in two years.

His appointment might have been awkward for the group because at this stage he does not have an obvious successor.

Rival bankers raised eyebrows at the fact that Dr Du Toit is also a director of Boland Bank, South Africa's fifth largest bank, and wondered whether further "toenadering" between Volkskas and Boland might be a consequence of his election.

Besides his chairmanship of Volkskas, the KWV, Cape Wine and Boland Bank, Dr Du Toit is chairman of the Paarl Agricultural Society, a commissioner of Escom and and a director of Saambou Nasionaal, Rand Mines, Total SA, Afrox, Bohuskor and many other companies

Dr Du Toit was appointed to the Volkskas board in 1960 and became deputy chairman in 1970. He is 66 and must resign at 72.

He was born at Tulbagh and went to Paarl Boys High. He attained an MSc in agriculture at Stellenbosch in 1937 and was later awarded an honorary doctorate in agriculture.

After lecturing in viticulture and wine making at Stellenbosch he went farming and held many distinguished positions in agriculture over many years.

Dr Tommie Muller obtained a BSc in mining engineering at Wits University, where he was best student, and an MSc at Birmingham University in 1940. He was awarded an honorary DComm by Potchefstroom University in 1966.

After a distinguished mining career, he became managing director of Fedmyn in 1961. In 1968 he was chairman of the Chamber of Mines. He was a leading figure in Fedmyn's takeover of General Mining.

He resigned his post when he was appointed to the board of Iscor in March 1971. He became chairman of Iscor in 1971.

A handshake concludes the signing of the NA-Sanlam agreement. Mr W J S Balsdon (left), MD of NA, congratulates Mr E J le Roux, Sanlam's assistant general manager. Mr W A Jones, (second from left), a director of NA, and Mr D B G van der Berg, regional manager (properties) of Sanlam, look on

16/8/80 SUN TIM

58

Giant Sanlam deal by National Acceptances

By STEPHEN ORPEN

A BOLD new multi-million deal between National Acceptances (NA), Sanlam and Pick 'n Pay reflects NA's aggressive new role as a property developer.

According to Etienne le Roux, assistant general manager of Sanlam, it also reflects Sanlam's "continuing preference for projects in which we do not necessarily act as entrepreneurs but from which we can acquire satisfactory returns, both immediate and long-term."

In the R12,4-million transaction, Sanlam has acquired from NA both land and a development agreement for the construction of a large complex in Claremont, Cape Town, which includes corporate headquarters and a supermarket for Pick 'n Pay.

In terms of the agreement, Sanlam will take over the complex from NA when the development is completed.

Some 16 sites were assembled by NA to produce a consolidated site of some 13 000 square metres in the prime Campdown Road/Main Road /Draper Street area.

NA will act as project coordinators, managing construction by LTA. It will also let the available space.

Completion is set for end-March 1982.

The project will include a supermarket of just under 5 000 square metres and some 2 600 square metres for 15 speciality shops.

Office accommodation in a tower block will top 9 250 square metres, of which Pick 'n Pay will require only part.

National Acceptances assembled the site and put together the package before approaching Sanlam.

Managing director Bill Balsdon tells me this is in line with the more ambitious policy of his company's property arm, which has recently been busy with complexes in East London, Pietermaritzburg and King William's Town, as well as other centres.

National Acceptances is now divisionalised into a money market division under Francis Whitby, and corporate finance and managed leasing under James Andersen.

Important in property has been Tiny Jones, based in Cape Town, while Pat Court and Bill Vipond head the division.

John Conradie is the Durban man on the executive committee, while the first non-executive director is Sandy Morrison of Marshall Industrials rescue fame.

Mr Balsdon says profitability in money market operations has been exciting as interest rates have declined.

As much as R200-million a month is now being handled in NCDs and Bankers' Acceptances.

This points to an annual figure of around R2 000-million compared with around R1 000-million five or six years ago.

Banks hike pay to keep staff

58

10/8/80 SUN TIM B.T.

IN keeping with the trend in other sectors of the economy, salaries within the financial sector have soared by up to 50% this year.

By PENELOPE MORGAN

With few exceptions, banks and building societies are responding positively to the problems of increased staff turnover.

For instance, salary negotiations between Barclays and Standard and their trade union — South African Society of Bank Officials (Sasbo) — are on the cards. A meeting initiated by Sasbo is scheduled for early next month.

Sasbo demands are likely to be influenced substantially by salary adjustments of the other banking institutions that do not fall under its jurisdiction.

Between them, Standard and Barclays employ about 27 000 people and the total number of employees in commercial banks is about 60 000.

Volkskas has met the challenge of a bouyant labour market with an unprecedented move. It has brought forward and increased the annual bonus to staff.

In the past, the bonus constituted a double cheque paid once a year in November. This year, the bank paid out the bonus in July and increased it by nearly 2%.

Apparently, the reasoning behind the move was to keep staff. An increased turnover of staff, especially at the more junior levels, necessitates more training with greater losses to the employer.

According to leading Johannesburg business consultancy P E Consulting, whose annual salary survey is due to be published next month, the average increase for the financial institutions is between 15% and 20%, with building societies at the top of the scale.

At least three of the five big building societies brought forward their annual salary reviews.

The biggest building society, United, did not bring forward salary increases. But, according to joint managing director Peter Richardson, they will be very high — for certain categories of staff as high as 50%.

All of the institutions I spoke to this week agreed with Mr Richardson: "The biggest push is at the bottom".

The average starting salary for a 22-year-old unskilled clerk is R460 a month.

Drastic increases for banking and building society employees are significant because, together with the public service, this sector has traditionally paid very conservative salaries.

But, like public service personnel, bank employees get the advantage of housing and other worthwhile benefits.

S. RAPPORT 10/8/80 (58)

Du Toit Volkskas se nuwe baas

DR. TOM MULLER (links), ondervoorsitter van Volkskas-Groep en Volkskas-Bank, saam met dr. André du Toit, voorsitter van albei, afgeneem ná die afloop van die direksievergadering van Vrydag waarop hulle verkies is.

Deur FRANZ ALBRECHT

'N WYNBOER van Noorder-Paarl is die nuwe voorsitter van Volkskas-Groep en van Volkskas-Bank. Hy is die 66-jarige dr. André du Toit, voorsitter van die K.W.V. Dr. Tom Muller, voorsitter van Yskor, is die nuwe ondervoorsitter van albei.

Hulle is in hierdie ampte verkies op 'n direksievergadering van Volkskas-Groep onmiddellik ná die jaarvergadering wat Vrydag in Volkskas-sentrum in Pretoria gehou is.

Mnr. Danie van Huyssteen is steeds die besturende direkteur van die groep en die bank, asook voorsitter van Volkskas-Aksepbank.

Die voorsitterspos van Volkskas het op die jaarvergadering oopgeval met die uittrede van dr. Jan Hurter, wat binne enkele weke die verpligte aftreeouderdom van 72 jaar bereik.

Dr. Hurter, wat 38 jaar in diens van Volkskas was, was twaalf jaar hoofbestuurder, vier jaar besturende direkteur en die afgelope nege jaar voorsitter.

Dr. Du Toit, wat ook voorsitter van die pas gestigte maatskappy Kaapse Wyn en Distilleerders is, was die afgelope tien jaar ondervoorsitter van Volkskas. Hy het twintig jaar gelede tot die direksie toegetree.

Dr. Muller was in die tien jaar voordat hy in 1971 voorsitter van Yskor geword het, besturende direkteur van Federale Mynbou en later ook van General Mining. Hy was altesaam 14 jaar by Federale Mynbou, waar hy hom as tegniese bestuurder aangesluit het.

Hy het sy B.Sc.(Mynbou) aan Wits en 'n M.Sc. in Birmingham verwerf. In 1966 het hy 'n eredoktoraat in ekonomie van die Potchefstroomse Universiteit ontvang. Hy was al twee termyne president van die AHI en is 'n gewese president van die Kamer van Mynwese.

Mnr. Van Huyssteen, wat 61 jaar oud is, is van plan om in 1982 af te tree wanneer hy 63 is. In nog twee jaar kan baie gebeur, maar in Volkskas-Groep is daar net een hoofbestuurder, dr. P. R. Morkel.

In Volkskas self is daar 'n senior hoofbestuurder, dr. C. M. Strydom, en nog drie hoofbestuurders buiten dr. Morkel. Hulle is mnre. P. McLachlan, F. C. van Wyk en P. J. Venter.

Opvolging vir besturende direkteur het byna al verlede jaar plaasgevind toe mnr. Van Huyssteen wou aftree, maar hy is gevra om nog drie jaar aan te bly.

New Volkskas chairman a surprise choice

(57) 10/3/80

BUSINESS EDITOR

ONE OF the Afrikaner business establishment's most powerful jobs — the chairmanship of the R4 000-million Volkskas group — went to 'wine farmer' Dr Andre J du Toit this week

Dr du Toit is also chairman of KWV, Cape Wine & Distillers and Boland Bank.

His election to the Volkskas chair, on Friday, following the retirement of Dr Jan Hurter, caused some surprise in banking circles. Although Dr du Toit has been vice chairman of the huge banking and industrial group for 20 years, his Cape background of agriculture and viticulture is seen as an unusual choice for what is traditionally regarded as an OFS/Transvaal domain

Dr du Toit's appointment is seen by some bankers as an interim appointment — he is 66 and must retire in six years time.

This speculation is based on reports that the favourite for the job — the group's present managing director Mr Danie van Huysteen — has warned the board that he wishes to retire in two years time

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Carlet gone not eary. — It is clear from the history of agricul in SA that the development of agriculture does not only reflect the operation of market forces and the competition. On the contrary the development is determined in crucial ... co-operative efforts of farmers and the response of government to the appeals by farmers and their organisations for protection from market forces. In addition there were then some forces that were applied — the opposite direction. That is to subsidise domestic consumers of agric products

It will be the object of this discussion to discuss the nature of government intervention in agric and its effects.

The proper way to act on interest rates

Harold Fridjhon

on Monday

A REPORT that the Minister of Finance, Senator Owen Horwood, was to make a statement about interest rates — and, apparently, ahead of the annual address of the Governor of the Reserve Bank — led to conjecture last week in business circles about what he could say and do.

The fact that there has been a loud silence from Pretoria suggests that Senator Horwood was probably misinterpreted and that he doesn't intend expounding on the subject — and particularly before Dr De Jongh has had his say. To do that would be a breach of protocol.

In this post-De Kock world of ours, if the authorities want to do anything about rates they will use the market. The days of controls and regulation by prescription have gone — one hopes.

Interest rates, which really mean the price of money, will be determined by the market forces of supply and demand. If the authorities wish to see rates move up or down they will intervene in the market as a buyer or a seller as the case might be and as the Reserve Bank has been performing in the short-term market with telling results in the past few months.

What most people who were trained in the Bad Old School forget is that interest rates are a derivative of a market and not a target. They depend entirely on the flow of funds and the supply of matching assets to absorb those funds, assets created either by the private sector's demand for money or the authorities supplying the funds or the paper.

And the one thing that the authorities won't do at present is to supply the funds, they are doing everything they can to supply the paper — even if the Reserve Bank has to take a trading loss to make that paper attractive to the market.

This is the reason for Mr C H J van Aswegen's concern expressed in his Interbank chairman's statement. If the selling of Government securities or debentures means that the Reserve Bank will build up heavy losses who will foot the bill"

Granted that the central bank has huge reserves to absorb big losses if the pace gets too hot. But there could come a time when losses crept into the profit and loss account. The bank might then look to the Treasury to make good those losses. The Minister would then have to go to Parliament for money. And that would be embarrassing for everyone concerned.

But I do not think that Mr Van Aswegen's fears are well founded. The Treasury will not come to the market for money this year and the institutions will, sooner or later, have to top up their requirements of prescribed assets.

Of course, prescribed assets don't necessarily mean only Government and other designated stocks. They also include deposits with banks and building societies and at present these institutions are being overloaded with deposits which are more of an embarrassment than nesteggs of value.

The only course of action is to lower rates rather than raise them as has been done recently. The building societies are particularly overexposed to these institutional cash flows which can be volatile, and which are of a magnitude that makes them vulnerable.

The societies are lending long funds which are basically short and if the investment scene should change, as it might, the societies might find themselves in a position similar to that which they experienced in 1974 when they had to get official support to help them out of a tight corner.

If for no reason other than that the authorities do not want at this juncture a flood of additional money swamping the system, I cannot see the prescribed asset requirements of insurance companies and pension funds being abolished at the end of the year as some commentators predict.

Quite apart from the cash flow which a wholesale selling off of Government and other stock would generate, I can't see Senator Horwood acting before he receives the second De Kock Commission report and has it approved by the Government. (Don't forget that the business of government is virtually suspended from December 16 until the first or second week in January.)

Then the regulations will have to be drafted with all the heel dragging for which the bureaucracy is noted.

Even if the De Kock report recommends, as I think that it will, that the prescribed assets held by insurance companies and pension funds be drastically reduced, I am equally sure that the holdings will be phased out in easy stages, possibly over a few years.

This would mean that there would be no selling of assets, no sudden withdrawal of balances from banks and building societies.

They would retain their holdings; but the percentage of these holdings would drop as their other assets grew. But this would mean that there would be little buying of new stock and if the gold price remained high the Government would not have to rush to market to finance deficits.

And the corporations and the municipalities would then have to make their market offerings attractive, which would mean an increase in rates.

And if rates went up, insurance companies and pension funds might even become buyers again.

FINANCE

BIGGER DIVIDENDS—WOOLWORTHS

11/8/80 ARGUS (58)

A MORE liberal dividend policy is to be pursued by Woolworths as a result of its strong financial position through retaining profits over the years, says the chairman, Mr R S Sonnenberg, in his annual review.

'It remains our intention to reduce the disparity between the interim and final dividends.

Greatly improved trading conditions led to the payment of an 18c final for the year ending May but the interim was not raised in line.

Turnover so far is 20 percent up on a year ago and Mr Sonnenberg expects the improvement to continue at least until the end of the year, with a 'satisfactory' increase in profits coming.

HIGHEST

More than 99 percent of merchandise sold in Woolworths are made in South Africa, the highest proportion ever achieved.

Turnover, which rose almost 14 percent to R193,5-million is likely to grow significantly from several stores developments.

The current year will benefit from expansions at Paarl, Port Elizabeth and Somerset West.

Extensions are also being made at Springs and Maritzburg stores and a major development has started at Rosebank, Johannesburg, and at Klerksdorp.

A prime site has been bought for a store in Nelspruit.

Mitchell's Plain is also to have a store in the shopping centre in premises leased after forming a company with the Coloured Development Corporation.

Mr Sonnenberg urges the Minister of Finance, Senator Owen Horwood, to re-examine company taxation in the light of the effect of inflation on profits.

Group profits of R30,5-million before tax would have been R5,6-million less if based on current costs, with earnings of 52,1c a share against 62,5c reported for the year.

Tom Hood

Industrial property in the clover

58

RDM 11/8/80.

Property Editor

THE BOOM has brought a growing demand for industrial properties, with rentals up between 30% and 50% over last year, says Mr Brian Clarence, J H Isaacs' industrial manager and alternate director.

He was commenting on turnover of more than R4 000 000 chalked up by JHI's industrial sales division in the past three months.

They include:

- R1 100 000 from the sale and lease of 8 000m² Transvaal Metal Industries factory in Wadeville, Germiston.
- R1 000 000 of ground, zoned for manufacturing, sold at Halfway House, on the eastern side of the Ben Schoeman Highway.
- Nearly R1 000 000 of ground sold in the Roodekop area, off the Heidelberg road.
- About R1 000 000 sales in the City Deep industrial township.

Mr Clarence said it was becoming increasingly difficult to meet tenants' requirements.

"Smaller industrial units of between 300m² and 800m² are in particular demand and tenants are prepared to pay rentals of more than R2/m², compared with R1,45/m² a year ago.

"While there are pockets of this type of space in some industrial areas, there is virtually none in Heriotdale, Denver or City Deep."

Larger factories were letting at rentals of R1,40/m² compared with R1,10/m² a year ago. In isolated cases, where large space became available though — for example 10 000m² — rentals could be as low as R1,10/m².

"These lower rates also apply in the central area of Johannesburg where there is generally poor factory space, multi-storeyed and with security defects."

Although buildings were difficult to come by, they still presented better value than the construction of new ones.

Mr Clarence believes more and more tenants will have to turn to developing properties to suit themselves.

However, with land values at R40/m² and building costs increasing at 25% a year compound, "those who build now will soon be getting a bargain in terms of future replacement costs".

Blacks on white collar course

58

RDM 12/8/88

Deputy Financial Editor

NEDBANK has put its first batch of black employees on to the CIS-run Foundation for Business Studies' course.

The course teaches grass-roots business principles, enabling employees who are literate and numerate but without formal qualifications to aspire to clerical and other white collar jobs.

Business English or Sake Afrikaans, Basic Accounting, Business Calculation, Introduction to Law and Business Economics are some of the subjects in the course.

On successful completion of the course, candidates will be well set to attempt higher qualifications such as the Institute of Bankers or CIS courses.

Nedbank's official policy is that any man, regardless of race, may take a job if he is good enough for it and the bank expects the course to enable more blacks to take advantage of the opportunities inherent in this policy.

SS

Rand is poised for stable time ahead

STAR 12/8/80

58

By Pieter de Vos

The rand seems set for a period of stability until the end of the year, but it could appreciate further up to a rate of 137 US cents by July next year.

According to Barclays' estimates, the rand may fall back to 129 US cents from its present level above 131 US cents, but it should rapidly improve next year.

As imports continue rising towards the end of the year in preparation of the South African Christmas spree, increasing demand for dollars to pay for overseas purchases could cause the rand to weaken, says Mr Sid Sharp, manager of Barclays' economics department. However, the rate is not expected to reach below 129 US cents.

The switching from local financing to overseas financing of imports — brought about by the raising of the forward cover discount earlier this year — only delayed the outflow of dollars.

By borrowing dollars and covering them forward, the South African importer used the relatively cheaper overseas financing. But by now, some of these loans must be repaid as the finance period draws to a close.

As some of these forward cover transactions may not be renewed by South African importers, the outflow of dollars may cause further downward pressure on the rand.

The effect of this on the rand may be limited by financing current imports in the same manner — that is, borrowing dollars once again to pay for current imports, covering their liability forward.

Next year a weakening dollar — as the new US president steps up the American spending programme to fulfill election promises — coupled with the possibility of a higher gold price, may lead to a renewed strengthening of the rand against the dollar, he says.

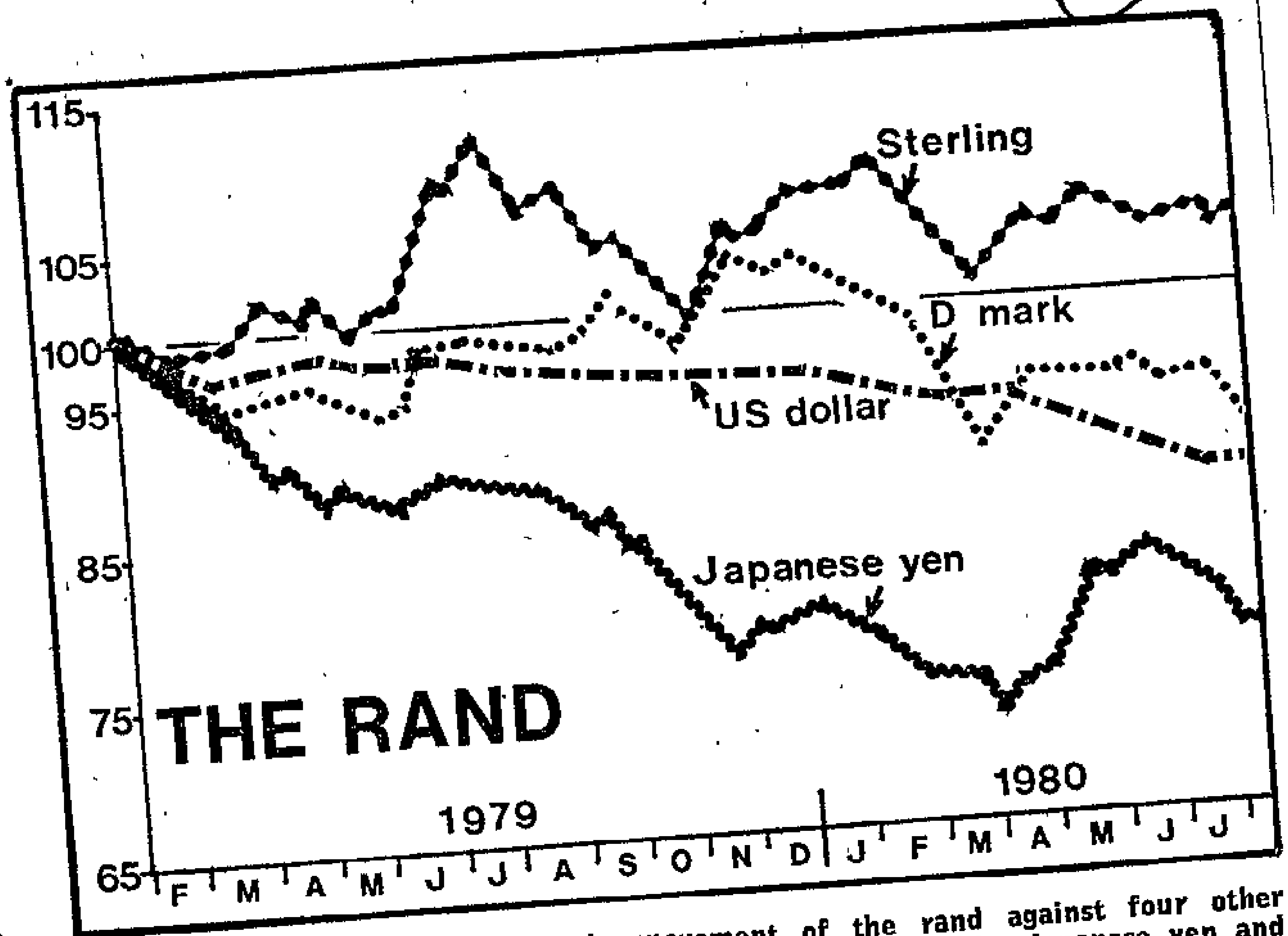
A rate of almost 132 US cents is predicted for January reaching about 137 US cents by June next year.

Dr Peet Strydom of Senbank is in agreement with Mr Sharp about the rand's prospects for this year.

According to Senbank, the weighted rand has increased by almost 7 percent since the beginning of this year. Against a relatively strong international currency such as the German mark, the rand has gained about 10 percent in value.

However, Dr Strydom expects the rand to stabilise as the Northern Hemisphere takes its annual summer leave and foreign exchange markets quieten down.

Next year he sees even slower appreciation of the rand as South African imports continue rising and the overseas recession limits export growth.



This graph from Barclays shows the movement of the rand against four other major currencies — the pound sterling, the German mark, the Japanese yen and the US dollar — since the beginning of last year. A fifth — the Swiss franc — followed the movement of the German mark closely.

(b) Insufficient creativity - failure to generate a large number of possible solutions to a problem leaves a large number of unexplored possibilities.

(c) Temporary or time circumstances which force all except a solution to meet short schedules without search for the lowest cost solutions.

(d) Honest wrong belief which exist in all people as a result of opinions and experiences, rather than facts.

SA ENTERING INVESTMENT BOOM — BANKER

13/8/80 ARGUS

58

Financial Editor

SOUTH AFRICA is heading for a major investment boom, Mr R A Rundle, managing director of Nedfin, said in Cape Town today.

He said financial institutions such as Nedfin, one of the country's leading general banks, had been asked to finance new private sector capital investments costing more than R1 250-million.

With many sectors of manufacturing industry now operating at more than 90 percent of capacity, further large expansion programmes must be expected in the coming months.

The projects so far announced would be completed within the next two to three years.

PROJECTS

Some of the companies involved and the cost of their projects were:

Sappi, R400-million.

Atlantis Diesel, R156-million, Sentrachem, R160-million.

AECI, R90-million.

Huletts R112-million.

Mondi Paper, R140-million.

Middleburg Steel R120-million.

Most of these projects would be financed through leasing or hire-purchase agreements.

MARKED CHANGE

In the past 10 years bank financing had undergone a marked change. Today the general banks were providing the bulk of the finance for new investment and were filling the role previously held by the merchant banks.

Leasing and hire-purchase business had become the growth area in banking.

Between March 1978 and March 1980, bank advances for leasing had risen 39 percent from R847-million to R1 178-million, while loans for hire-purchase had risen 140 percent from R744-million to R1 783-million.

In contrast loans on overdrafts had risen only 14 percent from R4 019-million to R4 590-million.

This reflected the fact that for most companies the use of hire-purchase or leasing facilities was usually the cheapest way of financing new investment.

After the investment and initial allowances had been taken into account, this form of financing usually worked out about two percent cheaper than other forms.

Referring to the high level of liquidity in the economy, he said the situation was becoming serious.

With the mining houses at times investing up to R400-million a week, the country was awash with money.

Much was being invested short-term with the banks and building societies, who were re-investing it long-term. This could lead to a dangerous situation.

His solution would be to allow the banks to become medium-term capital exporters. Money invested overseas could quickly and easily be repatriated if the country's balance of payments position deteriorated.

Volkskas gives a warning on gold

58 (49) STAR 13/8/80

By Pieter de Vos

South Africa should not rely too heavily on the price of gold for continued growth, Volkskas warns in its latest economic report.

The country's gold receipts could amount to R11 000m this year compared with slightly more than R6 000m last year, the bank says.

This estimate — based on an average gold price above 600 dollars — means that even if imports should rise by as much as 50 percent this year, gold alone will be able to pay for 75 percent of imports.

Last year's gold receipts of R6 003m paid for 62 percent of all goods imports.

But a gold price of about 500 dollars is required to keep the current account of the Balance of Payments in balance.

The surplus on the current account will be considerably smaller in the second quarter of the year than the large surplus of R1 977m in the first. Indeed, the surplus might be down to between R200m and R300m, despite an average gold price of 544,91 dollars.

VARIABLE

If trade statistics are adjusted to leave gold bullion exports out of account, the remaining items reveal a trade deficit of R1 692m in the first six months of this year against a deficit of R309m in the comparative period last year.

In the second quarter, the deficit would amount to R1 178m (R99m).

Gold is a diminishing asset even if the higher gold price has extended the lives of many mines. The gold price is variable.

Import substitution and attempts to export more commercial goods and services should continue.

Yet the Balance of Payments should not inhibit growth overnight even if the gold price falls strongly.

South Africa's good credit-rating, the exchange rate which could be used to absorb unexpected shocks and Sasol II which will soon be operating at full capacity should allow enough elbow-room until the next international upswing.

The bank notes that fixed capital formation is already taking place at an appreciable level. Imports of machinery and mechanical appliances show an increase of 43 percent during the first six months of this year and an increase of 51 percent in the second quarter compared with a year ago.

The general in banking

JUST as serving members of the defence force should abstain from party political involvement, so should they be careful not to allow their military positions to be used for commercial advertising. The Chief of the Defence Force, General Magnus Malan, came close to it this week when his portrait, in full military regalia, topped a newspaper advertisement containing the chairman's address and General Malan's own address, as seconder, for the Volkskas Group. The circumstances were mitigated by General Malan's explanation that his late father had been chairman of the bank, and that he had a personal tie with the current retiring chairman, Dr J A Hurter. Nevertheless it remains undesirable for South Africa's most senior soldier to ally himself so closely with a particular financial institution and to use its annual general meeting as a platform to talk, albeit in economic terms, about the defence force.

Billions at stake in bank card war

13/8/80

STAR

58

By Mike Sullivan

Six of South Africa's major banks are locked in a credit card war which will involve more than R1 000-million this year.

The battle is for the biggest slice of the multibillion-rand credit cake, and the banks are prepared to write off millions in efforts to increase their market share from the current six percent of total consumer spending.

Within the next two months South Africa will have at least nine bank-backed credit cards and some bankers are concerned that bad debts will rise as more people are sucked into the "credit-go-round."

Using several cards, members of the public will be able to run up debts of more than R12 000, according to bank estimates, and in some cases be able to use the credit card from one bank to pay off debts to another.

"The temptation to get over-extended on credit has been dramatically increased by the introduction of a large number of cards," said Mr Colin Gregor, divisional general manager of Barclaycard — the country's most widely used card.

He admits that card operations are "not very profitable" and are mainly designed as a promotional tool by the banks.

The Star has learned that Barclaycard, which has been in operation for more than 10 years, is likely to make a profit of just over R500 000 this year on an investment of about R187-million, less than one third of one percent.

The banks operating or planning to operate credit cards are Barclays, Standard, Santam, Nedbank, Volkskas and Trust Bank.

Other banks admit that they are in the red but will not say by how much.

Their loss margins are likely to be increased as a cut price war hots up between the banks.

One major bank recently approached some of Johannesburg's largest retail outlets with an offer to cut its charges to them in exchange for exclusive recognition.

Other banks have so far refrained from retaliating but the battle lines are

Take a card — any card. South African banks are battling to keep existing clients and attract new ones.

Credit war: billions at stake

from page 1

and cautious in their use of credit.

"Any hope of real co-operation between the banks to control the amount of credit granted to individuals is doomed in the present climate of competition."

He added that at present no bank could afford to be left out of the rush to grant credit, but warned that things were fine only as long as the economy continued to boom.

"If we have a downturn in the economy the banks will come demanding payment and some people might find it beyond their means to settle up immediately."

'Unscrupulous'

Another bank has angered its colleagues by "touting" for business. It sent application forms for cards to a list of Government employees, and approached non-working wives of professional men without informing their husbands.

An angry lawyer complained to me that he thought it was "unscrupulous" to invite his wife to take credit without his knowledge, and then expect him to pay the bill.

A spokesman for the bank involved said that in his opinion the man would have been in a position to pay. "Anyway there are other forms of credit available to free-spending wives that are far more dangerous," he said.

He added that an invitation to apply for a credit card did not automatically mean that one would be granted.

The banks argue that their credit checks are stringent, but informed sources have also said that the volume of cards issued — in some cases 10 000 a week — often precludes thorough checks.

This is supported by a series of trial applications made by one bank to some of its competitors.

In one instance a card with R1 500 worth of credit was granted to a man who already had three judgments against him for non-payment of debts.

Said one banker: "The system is wide open to abuse. We can only pray that people remain honest

To Page 3, Col 3

— DAILY DISPATCH, THURSDAY, AUGUST 14, 1980

Sebe challenges building societies

(MA) 58 DD 14/8/80

KING WILLIAM'S TOWN. — South African building societies were yesterday challenged by Ciskei's Chief Minister, Chief Lennox Sebe, to adopt a positive attitude towards development of the South African black states.

Chief Sebe was speaking at a function at Zwelitsha near here, where two major South African companies handed cheques to the Ciskei Government, to bring to R17 000 the total amount of sponsorship of the Ciskei Education Conference, which was held in June in East London.

Chief Sebe told representatives of the companies, Mr R. Neam and Mr D Diesel "You have opened — albeit just a wee bit — a window of goodwill in which the wind of fellowship can come through."

He said there were many whites who boasted of having had a long period of close contact with blacks "but their contact was more obstruction than fellowship."

CHIEF SEBE

Chief Sebe said the majority of people who supported building societies in South Africa were blacks and yet the societies were reluctant to help in the development of the black states.

He said: "They hide behind the demand for security and yet every day they accept investments, which give their companies security," from black clients.

Chief Sebe reassured all those who helped the Ciskei financially "that every cent of your donation is used for the benefit of the Ciskei, which is why the nation demands withdrawal from office of those who do not have the nation's interests at heart."

Chief Sebe said it was time the companies adopted a positive attitude towards the development of the black states and help initiate development schemes which would benefit blacks."

He said: "In our case, they can approach our Department of Agriculture and find out where they could possibly help in agricultural development."

He said all those who showed goodwill to the Ciskei "will reap the fruits of their goodwill in the Greater Ciskei, which will include everyone in the decision-making process." — DDR.

Boffins and banks clash on credit card danger

STAR 14/8/80 (58)

By Mike Sullivan

Banks involved in the credit card war deny that the system boosts inflation — but the Bureau for Economic Research in Stellenbosch and the Housewives' League are convinced that it does.

With inflation running at 15 percent the introduction of new credit facilities could encourage manufacturers to raise prices even further.

This is the view of Professor J L Sadie, director of the Bureau for Economic Research.

He said that the introduction of new credit cards is likely to encourage more liberal spending which would inevitably put pressure on prices.

Mrs Joy Hurwitz, national president of the Housewives League, said her organisation was extremely concerned about the rush of consumer buying on credit.

The league planned to investigate the reasons for the dramatic fall in cash discounts at chain stores, she said. In her opinion this is due to stores having to pay interest on their credit facilities.

"We find that the stores are unwilling to tell us how much they pay the card operators — but it must certainly have an effect on prices," she said.

"Normally we encourage cash purchases as being the best way of keeping out of financial trouble but now people who pay cash could also be helping to finance those who use credit cards.

"It is a disturbing trend," Mrs Hurwitz said.

But the banks defend the card system and say that it can help to keep down inflation.

Mr Colin Gregor of Barclaycard says that financing their own credit card can cost stores up to 13 percent while the card system offers them immediate payment of cash for a fee of about five percent.

This, he says, must be passed on to the consumer.

Mr Randle Carter, general manager of Standard Bank Card, which offers a revolving credit system allowing people to pay off a percentage of what they owe on their cards over an extended period, says that if the cards are inflationary it is to a minimal extent.

He warns, however, that people must be responsible in the use of cards.

The liberal credit facilities available in a booming economy could tighten if there is a downturn and then the banks might have to call for prompter payment of outstanding accounts.

This, says Professor Sadie could accelerate a downward swing in the economy if the present boom were to level out.

But bankers are adamant that they intend to be careful over those to whom they issue their cards and to use strict vetting procedures as a safeguard in the event of troubled financial times ahead.

RAND DAILY MAIL, Friday, August 15, 1980

UAL clinches biggest SA property deal ever

By DAVID CARTE
Deputy Financial Editor

IN THE biggest single property deal ever clinched in South Africa, Union Acceptances Limited has sold its 50% stake in Eastgate to Liberty Life for R28 500 000.

UAL sold its half share in the country's biggest single shopping centre because it was not its policy to be invested in property, Mr Johan Nel, managing director of UAL, told Business Mail yesterday.

The R28 500 000 price tag represents a substantial profit for UAL, which is now believed to have recouped nearly all the losses it sustained through the Summit-Sumcor property collapse.

Mr Michael Rapp, managing director of Rapp and Maister, Liberty's property subsidiary, who concluded the purchase, said it was an "excellent investment" for Liberty

The yield on the R28 500 000 half stake just acquired, he said, was "about 8,5%", while that on Liberty's original investment in Eastgate was "about 11,5%". This meant Liberty had obtained all of the country's prime shopping centre on a yield of roughly 10%.

Because rentals were linked to steeply rising turnovers at Eastgate, Liberty was "very satisfied" with the terms.

The latest investment brought Liberty's property portfolio to R350 million, said Mr Rapp All its properties were prime shop and office space and fully let.

Liberty's total investment portfolio at market valuation, Mr Rapp said, was about R1 200-million, so property represented nearly 30% of Liberty's total investments.

Because it believed that a merchant bank should not be invested in property, UAL was a reluctant participant in the development of Eastgate from the outset.

It was obliged to participate because, when it took over the land on which Eastgate stands from the insolvent Summit-Sumcor group, it inherited an obligation to develop Eastgate with Liberty.

"We decided to develop Eastgate, get it going and then opt out and that is what we have done," said Mr Nel.

Southern Life premium income up

58 RDM 14/8/80

CAPE TOWN. — The premium income of the Southern Life Association showed an increase of R13 583 000 over that for the previous year, it was announced at the association's annual general meeting held in Cape Town yesterday.

The income, which includes purchase money for annuities, amounted to R91 534 000 compared to R77 951 000 the previous year.

The total investment income, made up of interest, dividends and rents net of property expenses, amounted to R53 938 000 compared to R43 115 000 for the previous year.

The amount payable in respect of death and disability claims was R12 615 000 (R10 210 000) while the figure for matured policies was R9 185 000 (R8 784 000).

Policyholders' funds retained and invested to provide for future payments under existing policies presently amounted to R620 340 000 compared to R517 511 000 for the previous year. — Sapa.

FINANCE

Industrial companies report soaring profits

15/8/80 ARGUS

58

SHARPLY higher dividends will soon be flowing into shareholders' pockets as a result of soaring profits announced by several large industrial companies today.

● **Group Five Engineering** achieved a R5-million turnround to a profit of R3,5-million after a R1,5-million loss for its first half.

Dividend payments will be resumed with a 7c interim. Even better profits for the second half are forecast.

● Booming car sales more than doubled the net profit of **McCarthy Group** to R8,8-million and the final dividend of 13c is 188 percent up on the 4,5c of a year ago.

The year's total payout of 19c is 138 percent higher than last year's 8c.

● Sales by **Protea Holdings** grew by 29 percent to R276-million in the year to June and the final dividend is 4c higher at 16c, taking the year's total to 24c, which is a 41 percent increase.

Net profit of R16,3-million was 60 percent higher.

● The interim payout from **BTR South Africa** is being doubled to 22c, partly to equalise the two dividends.

Taxed profit, however, soared to R6-million, almost two-and-a-half times the first half earnings of 1979.

● From **Anglo Transvaal Industries** an interim of 100c lifts the payout by 16 percent over last year's.

● A 37 percent rise in final dividend by 22c will be paid by **New Witwatersrand Gold Exploration Company** boosting the year's total by 50 percent to 36c.

Net profit gained 67 percent to R6,1-million.

● **Selected Mining Holdings'** final is up by 20 percent to 24c, making 38c (27c) for the year.

● **Witbank Colliery**, after increased sales, is paying a 160c final against 140c, raising the year's total to 260c.

● A 50 percent increase interim dividend to 9c will be paid by **Darling and Hodgson.** Earnings rose 42 percent to R5,9-million while turnover of R122,5-million showed a 32 percent improvement for the half-year.

Tom Hood

100 000 skilled workers needed

Argus Correspondent

JOHANNESBURG.—South Africa's shortage of skilled workers is now set at more than 100 000 and as a result another 400 000 unskilled workers are estimated to be without jobs, Sigma's managing director, Mr Fred Butler, said today.

FINANCE

SIX BANKS IN CREDIT CARD WAR

15/8/80 ARGUS (58)

Argus Correspondent

JOHANNESBURG.—Six major banks are locked in a credit card war which will involve more than R1 000-million this year. The battle is for the biggest slice of the credit cake and the banks are prepared to write off millions in an effort to increase their market share from the current six percent of total consumer spending.

In the United States cards account for 19 percent of credit transactions but the bad debt ratio runs at about 1,1 percent — a percentage that would put most South African card operators out of business.

Most South African banks admit they have few safeguards to prevent people running up massive debts on the card system and are relying mainly on the basic honesty of their customers.

Cut-throat competition prevents them from cross checking card applicants and ensuring that individuals are not using a number of cards beyond their incomes.

BAD DEBTS

Within the next two months South Africa will have at least nine bank-backed credit cards and some bankers are concerned that bad debts will rise as more people are sucked in.

Using several cards members of the public will be able to run up debts of more than R12 000, according to bank estimates, and in some cases use the credit card from one bank to pay off debts to another.

'The temptation to get over-extended on credit has been sharply increased by the introduction of a large number of cards,' says Mr Colin Gregor, divisional general manager of Barclaycard — the country's most widely used card.

He admits that card operations are 'not very profitable' and are mainly designed as a promotional tool.

Barclaycard, which has been in operation for more than 10 years, is likely to make a profit of just over R500 000 this year on an investment of about R187-million — less than 0,33 percent.

Other banks admit that they are in the red on credit cards but will not say by how much.

Their loss margins are likely to be increased as the cut price war hots up.

EXCLUSIVE USE

One major bank recently approached some of Johannesburg's largest retail outlets with an offer to cut their percentage charges in exchange for exclusive use of its card. Other banks have so far refrained from retaliating.

Another bank has angered its colleagues by touting for business.

The bank has sent out application forms for cards to a list of government employees and has also approached non-working wives of professional men without informing their husbands.

STRINGENT

The banks argue that their credit checks are stringent but informed sources have also said that the volume of cards issued — in some cases up to 10 000 a week — often preclude thorough checks.

This fact is supported by a series of trial applications, made by one bank to some of its competitors.

In one instance a credit card with up to R1 500 worth of credit was granted to a man who already had three judgments against him for non-payment of debts.

WIDE OPEN

One banker said: 'The system is wide open to abuse. We can only pray that people remain honest and cautious in their use of credit.

'Any hope of real co-operation between the banks to control the amount of credit granted to individuals is doomed in the present climate of competition.'

At present no bank could afford to be left out of the rush to grant credit but he warned that things were fine as long as the economy continued to boom.

'If we have a downturn in the economy then the banks will demand payment and some people might find it beyond their means to settle up immediately.'

The banks operating or planning to operate credit cards are Barclays, Standard, Santam, Nedbank, Volkskas and Trust.

R28,5-m for a half share of Eastgate

By DAVID CARTE
Deputy Financial Editor

IN A R28 500 000 deal clinched yesterday, Liberty Life acquired UAL's half share of Eastgate, to give Liberty a 100% holding in the shopping complex.

This is South Africa's biggest single property deal.

UAL — Union Acceptanes Limited — and Liberty together developed Eastgate, the country's biggest shopping cente under one roof.

UAL sold its stake, according to its managing director, Mr Johan Nel, because it felt that a merchant bank should not be a large property owner.

UAL was a reluctant participant in Eastgate from the outset and only became involved because it took over the land on which the centre stands from the cash-strapped Summit-Sumcor group and, in doing so, inherited an obligation to develop the centre.

Now that the centre is operating successfully UAL has decided to withdraw at a handsome capital profit which probably wipes out all its losses from the Summit-Sumco property disaster

Mr Michael Rapp, who concluded the purchase for Liberty Life, said he was delighted with it — even though UAL had made a big capital profit.

See Page 13

De Beers Industrial dazzles

17/8/80 SUN TIM (B.1)

RAPID technological progress in the field of synthetic diamonds has forged a dazzling future for the De Beers group in a growing R200-million industrial diamond market.

By ANDREW McNULTY

A totally new sector estimated to be worth more than R23-million by 1985 has been created by the latest product developed by De Beers Industrial, called Amborite, a cutting tool second in hardness only to a diamond.

These were among key points emerging from an exclusive and wide-ranging interview this week with Dr Henry Dyer, managing director of De Beers Industrial Diamond Division and a director of De Beers Consolidated.

Dr Dyer was a member of the De Beers team of scientists which successfully synthesised diamonds in 1959.

Other points made in the interview, which revealed many figures not previously disclosed, are:

- The Industrial Diamond Division (Debid) is in the throes of a R130-million expansion aimed at doubling production capacity by 1985.
- Some 60% of this is being spent locally on the group's South African operations, largely on Ultra High Pressure Units, the diamond synthesis facility at Springs.
- A new subsidiary, Debex, has been set up to provide Debid with specialised products and expertise in the engineering, electronics, chemicals and carbide fields.
- Total capital investment in Debid is now well over R156-million.
- Some 2 500 people, including 400 scientists, are employed world-wide.
- This year's research budget is R19-million for local operations alone.

"This amount is only likely to increase. We believe we spend more than competitors on research and are gaining a technological edge on our main rival as a result," Dr Dyer says.

De Beers' major competitor in the industrial diamonds market is General Electric (GE), which was first to develop and market synthesised diamonds after Swedish scientists perfected the technique in the late 50s.

Because of its dominance as a natural diamond producer, De Beers is market leader in the world industrial diamond market. It now has some 50% of the total free world market, including natural and synthetic diamonds.

GE retains its lead in the synthetics market. But De Beers believes its technology and aggressive marketing are rapidly whittling down GE's lead.

Also, they have concentrated more closely on the sophisticated upper end of the market where prices are higher.

The growth of synthetic diamond business is shown by the rise in its share of Debid's turnover from 29% in 1970 to 55% in 1979.

The total industrial diamond market has grown in carat volume at just under 10% over the past 15 to 20 years but, because of the impact of synthetics, the growth in value was significantly lower.

"The growth of the synthetic business has tended to stabilise prices. I think this is largely behind us now and we expect price increases at least at a level with labour and material costs.

"Market growth is about to accelerate. It could be as high as 20% in volume and considerably more than that in value," Dr Dyer says.

The five-year expansion is to increase production capacity at the three plants in Ireland, Sweden and Springs, South Africa, and also develop an infrastructure that will supply the group with its own raw materials.

R34,6-million is being spent in three separate projects at the Springs plant alone. Vecor was recently awarded a R4-million contract for high pressure presses.

A further R24-million is being spent on expanding and equipping the Diamond Research Laboratory in Johannesburg.

Industrial diamonds have a vast range of applications in cutting and shaping hard substances. The latest Debid product development, Amborite, has filled a major gap in the market — perhaps the last remaining one.

The one big flaw with using diamond as a cutting agent is that chemical reactions occur when it is used on ferrous metals, resulting in rapid wear.

Amborite is a diamond analogue created by subjecting cubic boron nitiride to extremely high temperature and pressure.

The result is a material which is not quite as hard, but has many of the properties of diamond. Most important, it can be used successfully in machining a wide range of ferrous metals, especially hardened tool steels, which could previously be shaped only by grinding before cutting is necessary.

New ground has also been broken by the material's use as a tool. It is supplied as a solid piece, thereby giving twice as many cutting edges as conventional tools.

"More efficient applications of existing technology and improved quality and economies are likely to be the targets of future research," Dr Dyer says.

"The market is now largely covered and I suspect we will see no further dramatic technological developments."

Trust Bank still getting aid from Reserve Bank

S Expr 1/7/81

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TRUST Bank, now part of the giant Bankorp group, is still receiving hefty financial aid from the SA Reserve Bank to help it with its property problems — — in spite of the fact that there has been a dramatic improvement to its real estate portfolio in recent months.

The bank has been receiving aid from the SA Reserve Bank since Finance Minister Owen Horwood first offered it a year ago. Known as the "lifeboat fund", it was instituted to allow banks which were over-exposed to property to seek aid from the Reserve Bank.

This week senior officials of the Trust Bank approached by the Sunday Express would not comment and referred to the brief statement made by Trust Bank chairman, Fred Du Plessis in his last annual report.

In the statement, in Trust's last annual report, Du Plessis referred to the arrangement with the Reserve Bank which, he said, "will contibute to satisfactory financing of the real estate portfolio".

This action by Government, said Du Plessis, "proves the sincerity of its attempt to keep banking in South Africa on a sound footing".

Details of Trust's arrangement between it and the Reserve Bank are "highly confidential" according to Donald Swanepoel a senior general manager of the bank who refused to give the Sunday Express further details.

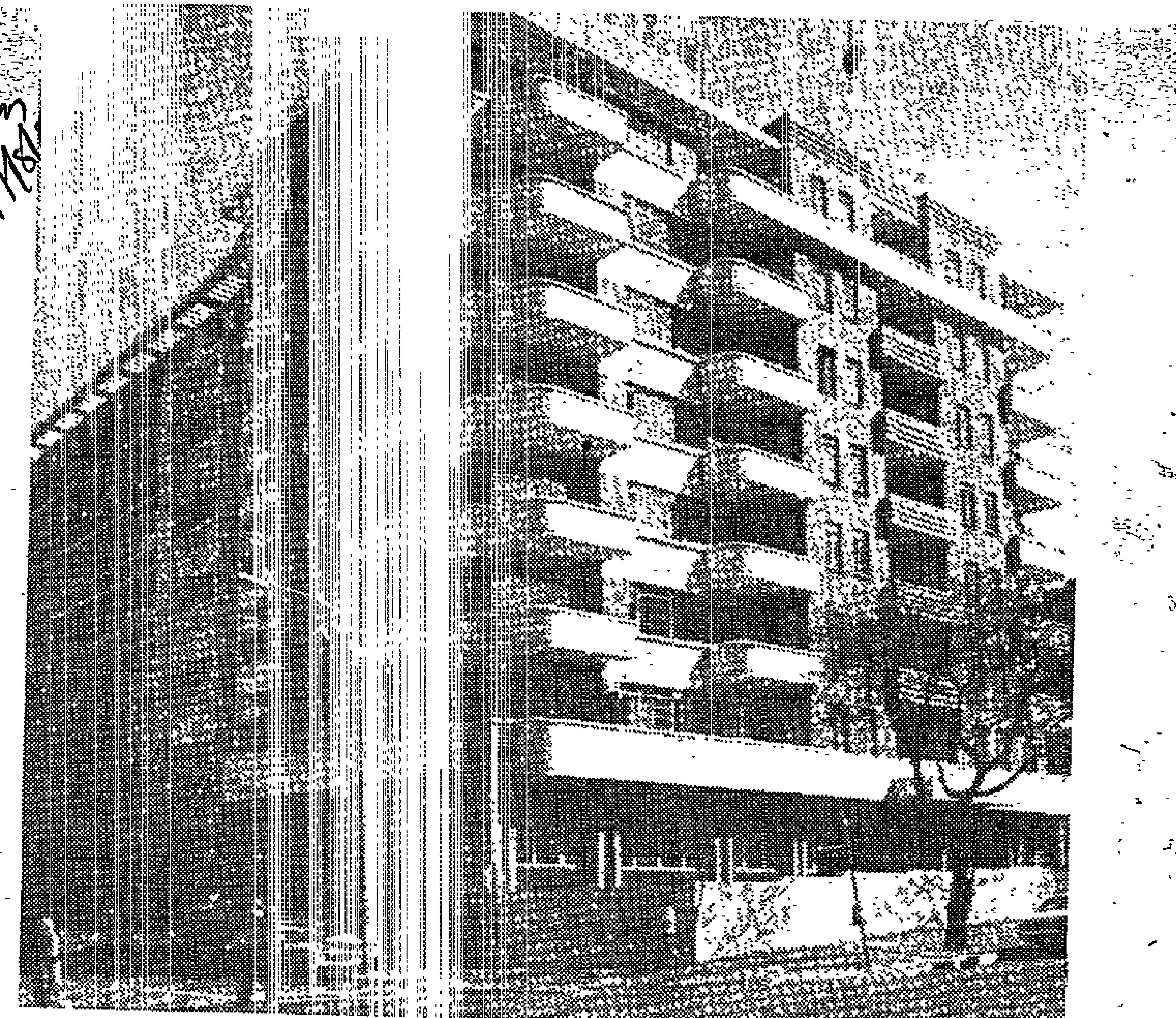
These, he said, were private arrangements between the SA Reserve Bank and a client, and were not for public dissemination.

Nonetheless, a senior official of the bank's property division told the Sunday Express that sales of the group's residential stands had taken off in the last six months and that the bank was benefitting along with the rest of the property market.

Over half of the proclaimed residential stands once held by Trust Bank have now been sold, and letting of its office blocks is doing extremely well.

Swanepoel himself was reluctant to talk to the Sunday Express of his group's progress in the property field, pointing out that Trust's duty was to tell shareholders first.

Nonetheless, in receiving what is virtually the equiavalent of state assistance, it is a pity that more details are not released on how long the bank will continue to be supported by the Reserve Bank.



● Sold recently by Joshua Betito of De Huizemark for R450 000, this Hillbrow flat block consists of 80 one-bedroomed and bachelor apartments, all fully furnished. The new owners will probably keep the building on as a rental proposition as it is currently giving a 14% return annually.

Bank underlines need for caution

17/8/80 B. Times.

58

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A SPECIAL economic revue by Hill Samuel contains the following conclusion: "The stock market is in a traditionally expensive area, and while this does not necessarily mean the share market is about to peak, investors should exercise caution in their decision making."

The conclusion is derived from the accompanying graph, which is based on the relationship between average industrial dividend yields and long-term interest rates.

The bank's yield ratio graph indicates that the ratio of the industrial share average dividend yield to the RSA long-term stock yield is approaching the level around which the market peaked in both 1969 and 1973 — at a point where historic dividend yields are less than half the long-term RSA rate.

The present ratio is 0,44.

In spite of the danger signals, Hill Samuel nevertheless believes that there does appear to be justification for channelling further funds into the equity market.

But in the end — and this is a view which accords with the vast majority of commentators — the gold price is the critical determining factor for the economy, interest rates and the stock market.

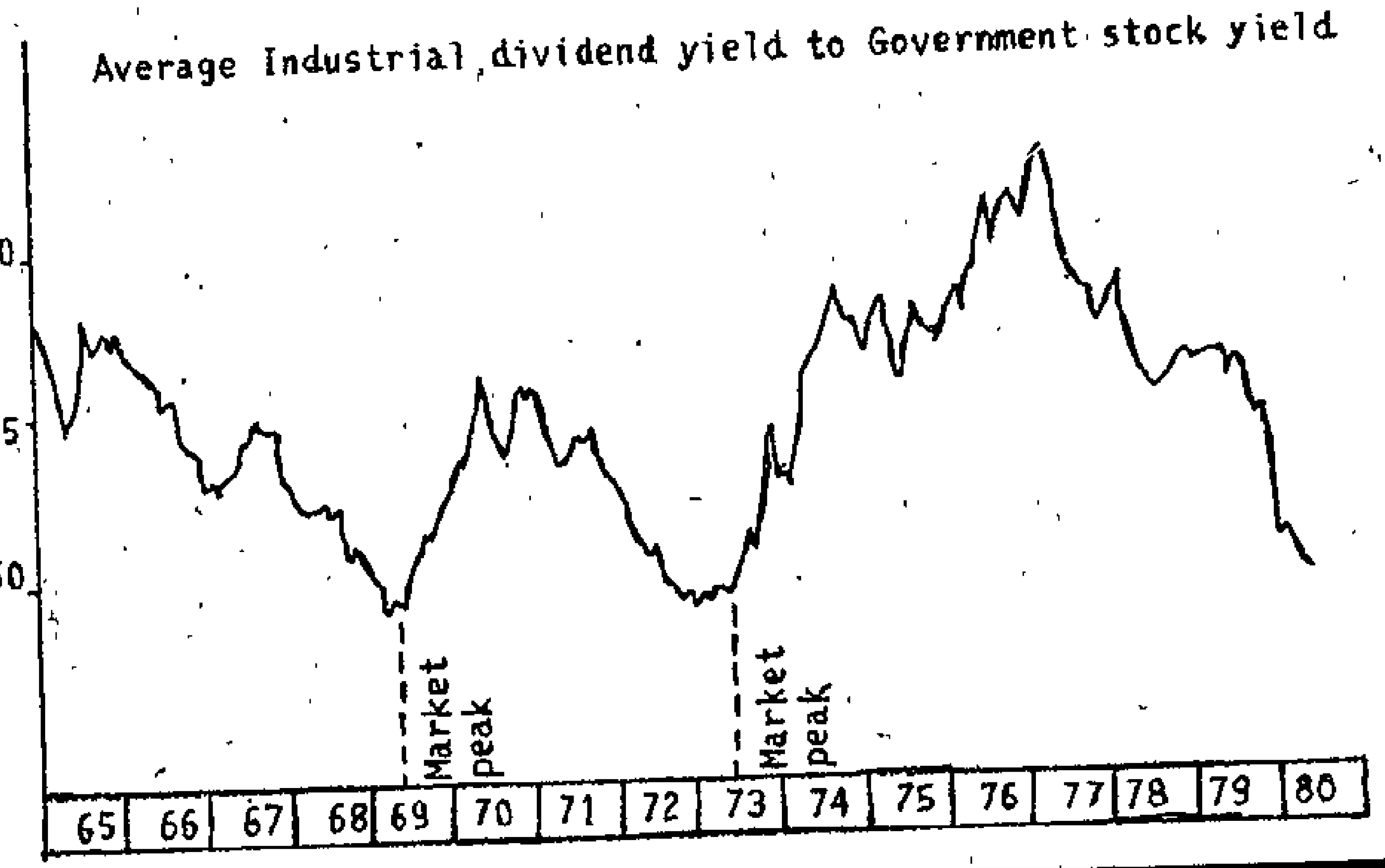
Accordingly, says Hill Samuel, should gold continue to move higher, the bull market could remain in a bull phase "for some time" and this would obviously necessiate "a re-appraisal of the situation."

One can hardly argue with Hill Samuel's assessment of the outlook for the JSE.

But in interpreting the data upon which the ratio graph is based, it is instructive to bear in mind that the economy is in what is probably the strongest growth phase in South Africa's history.

As such, historic industrial share yields become relatively less meaningful, tending as they do to depress the ratio to a level somewhat lower than would be necessary to obtain a true perspective of the situation.

A final observation. The inflation rate is currently a good deal higher than it was in either 1969 or 1973 and this has doubtless introduced distortions which render a comparison between the present ratio and those of 1969 and 1973 somewhat less valid than might otherwise have been the case.



Indian businessmen angry over riot insurance 'discrimination'

WM 18/8/80

(58)

Mercury Reporter

BUSINESSMEN in Durban's Grey Street complex last night described differing 'special risks' insurance rates for premises in the city's Indian and white business zones as 'blatant discrimination'.

The South African Special Risks Insurance Association provides insurance for buildings damaged during political riots.

As this was Government-sponsored, there should be no discrimination in premium rates, Mr Haribhai Naran, a businessman and member of the South African Indian Council, said.

'We feel very strongly about this,' he said, adding that the insurance association and the Government owed the Indian and other black communities an explanation.

Mr Naran said the discrimination in rates gave the impression that the authorities felt premises in Indian areas were more vulnerable to danger in times of political unrest than premises in white areas.

Mr K T Manjee, chairman of the Grey Street Area Local Affairs Committee, said he was also angry about the scale. He had written to the Town Clerk of Durban, Mr Gordon Haygarth, asking the City Council to approach the authorities with a view to having the discriminatory premium changed

He said the premium for riot insurance on properties in the Grey Street area was R3 for every R1 000 of cover, while in the rest of Durban's central business district the premium was R1 per R1 000 cover.

HIRE PURCHASE (58)

Fuelling inflation?

FM 22/8/80

Church Square is worried about the dramatic growth in hire purchase business and is considering steps to curtail it. That, at any rate, is the current speculation in banking circles following a recent meeting

Governor De Jongh . . . cut back on hp lending

between Reserve Bank Governor Bob de Jongh and top private sector bankers.

According to some bankers, the governor is worried about the extent to which the current consumer spending boom has been fuelled by banks' eagerness to extend hp credit. In the view of some Reserve Bank insiders, the remarkable hp boom is encouraging consumer credit to grow more rapidly than the production process in the economy can cope with. This, in turn, is fuelling the demand-pull inflationary cycle.

The most likely tightening up procedure would be for the authorities to increase the minimum deposit regulation (currently 25%) and to shorten the maximum 42-month repayment period.

Such a move would undoubtedly meet with fierce resistance from the motor industry, a large portion of whose business is heavily reliant on hp buying. But the fact that the motor industry has not yet reacted to the speculation, say bankers, indicates that the Reserve Bank may well have decided to shelve the matter for fear of an unpleasant confrontation with one of the leading growth sectors in the economy. Moreover, senior Treasury men this week intimated that both Finance Minister Owen Horwood and governor-designate Gerhard de Kock are opposed to the imposition of hp restrictions. This thinking is in keeping with the authorities' stated intention to move away from direct controls over the private sector.

Bankers insist that there is already a natural restraint on their hp books in the form of motor car supplies. This in itself places a limit on credit growth.

But have banks been too lenient in granting hp credit? Of course, none admits to this but there are certainly indications that their bad debt experiences are on the increase. According to one, a bad debt ratio of 5% to total book would be considered "disastrous". The target ratio is between 2½% and 3%. So far that figure hasn't been exceeded.

ANGLO'S AID FOR BLACKS

S Tribune Finance 24/8/80

3 (sugar)

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By TONY HUDSON

ANGLO American plans to use its newly acquired Umfolosi sugar lands as a base to supply aid to black cane growers in the region.

Anglo executive director in charge of sugar, Chris Griffith, told Tribune Finance that the group would encourage black growers and provide them with whatever technical assistance that might be needed.

He said that a move in this direction was part and parcel of what made sense in the northern part of Natal.

He pointed out that while Umfolosi was a white growing area, black growers could operate close enough to the area to make aid a viable proposition.

The move fits in with Anglo's declared intention to help black business and industrial development by the creation of a number of company-sponsored small and medium sized projects.

Said Griffiths: "An organisation like Anglo could build up the area and do an enormous amount to develop the region in local terms, we can make profits while providing aid for the people of the area."

He went on to say that in addition to aiding growers, the group would also provide a large number of jobs for local blacks.

The announcement that Anglo was behind the mystery purchases of Umfolosi farms came after two weeks of bemused and bewildered speculation on Anglo's expedition into the far north of Natal, which, as one expert put it: "is hardly Anglo's style."

During the period Anglo has on several occasions denied involvement in the project. However, on Friday, Finansbank, which was acting for the Umfolosi co-operative, said in a statement that Anglo American was the company behind the wheeling and dealing.

Initially market speculation was that the move presaged the dismemberment of Huletts and a takeover of Tongaat. The rumour caused a major flurry in Huletts as buyers moved in anticipation of a handsome offer to minority shareholders in Huletts.

However, Huletts managing director, Dr Kees van der Pol, told me this week that he had been assured by Griffith and Chris Saunders, Huletts chairman, that Huletts would not be dismembered and would continue to operate in its present form and style.

He said: "I was told that Anglo is not a shuffler of paper, just to make things tidy. If rationalisation is necessary for growth, this would be done for good economic reasons. For the foreseeable future, Huletts will continue in its present form." Van der Pol said that the rumours had caused alarm among the company's employees.

Griffith denied that Huletts were involved in its activities and said that, in fact, the Umfolosi scheme had been operational since May.

He said that at present Anglo now controlled between 37 and 42 percent of the Umfolosi mill's throughput, which totalled about 120 000 tons a year, about 6 per cent of South Africa's sugar crop.

Griffith said that Anglo had moved into the area because it felt that sugar was a good investment. He denied that farmers had been bulldozed into selling and said that both sides had a good deal out of the operation.

He went on to say: "We are now entrenched as important growers in the area and have become part of the Umfolosi growers."

He stated that Anglo did not start the operation to gain 50 percent of the mill's throughput and thus control of the mill, although he would be happy if this did eventually come about.

"We have told the farmers, that we will act for the good of the growers as we are on that side of the fence ourselves.

He said while no operation involving Huletts was planned, this could happen in the future if it was of benefit to all.

Big Five push up their assets

24/8/80 SUN TIM (58)

BANKING figures submitted to the Registrar of Banks this week reveal that the Big Five have pushed up their combined assets by R1 194-million from R14 385-million at the end of March to R15 579-million at June 31.

They also show a staggering vote of no confidence in the prime overdraft rate, now standing at 9,5%.

Total overdrafts, traditionally a commercial bank's most profitable area of business, have fallen back to R4 422-million, a R252-million drop from the March total of R4 675-million.

However, diminishing overdraft levels together with the R794-million leap in contingent liabilities (reflecting off balance sheet deals) is an indication that the banks' clients are borrowing money on the grey market at lower, more market-orientated rates rather than in the form of an expensive overdraft.

By PENELOPE MORGAN

Because these deals are off balance sheet they are outside the credit ceilings imposed by the authorities.

As the banks are flush with cash they are under pressure to lend at anything near a realistic rate, which at current levels is a couple of percent below the overdraft rate.

The only two banks showing an increase in loans and advances (essentially overdrafts) are Nedbank and Trust. Nedbank's increase is a nominal R3,3-million while Trust's is a hefty R19,1-million.

Trust's increase in loans and advances, when seen together with it's R97,4-million increase in contingent liabilities, shows that for the quarter ended June it operated aggressively in the lending field.

On a one-off basis, this is not too significant but should this continue it could speed up Trust's comeback. This, together with the accelerated sale of its property portfolio, could mean an early return to dividends for shareholders.

But Trust Bank has by far the lowest ratio of unimpaired reserves to total liabilities. Trust's unimpaired reserves are only 1,2% of total liabilities, R1 603-million.

R-million		Total Assets	Total Deposits	Cheque Deposits	Loans & Advances (overdrafts)	Investments	Unimpaired Reserves	Contingent Liabilities	HP + Leasing
Barclays	June	5 003,1	4 114,2	1 438,3	1 484,4	884,8	231,1	1937,2	392,9
	March	4 623,8	3 305,4	1 227,5	1 592,5	950,2	222,0	1 564,8	370,7
Standard	June	3 923,4	3 357,7	1 277,4	1 373,2	539,6	142,9	1 226,0	104,9
	March	3 485,5	3 066,5	1 073,4	1 477,3	519,6	132,5	1 082,2	48,2
Volks	June	2 833,6	2 361,3	842,6	667,7	67,1	112,9	437,7	136,5
	March	2 523,2	2 119,0	577,4	730,4	76,5	107,3	588,3	123,0
Ned	June	2 215,3	1 656,2	356,3	595,5	570,9	109,2	676,6	4,13
	March	2 260,5	1 515,6	320,7	592,2	485,3	109,2	493,4	4,21
Trust	June	1 603,5	1 219,9	165,5	301,7	201,9	20,2	148,7	568,6
	March	1 492,2	1 151,8	164,0	282,6	223,1	20,2	51,3	506,4

R20 000 donation for the Foundation

58 POST 28/8/80

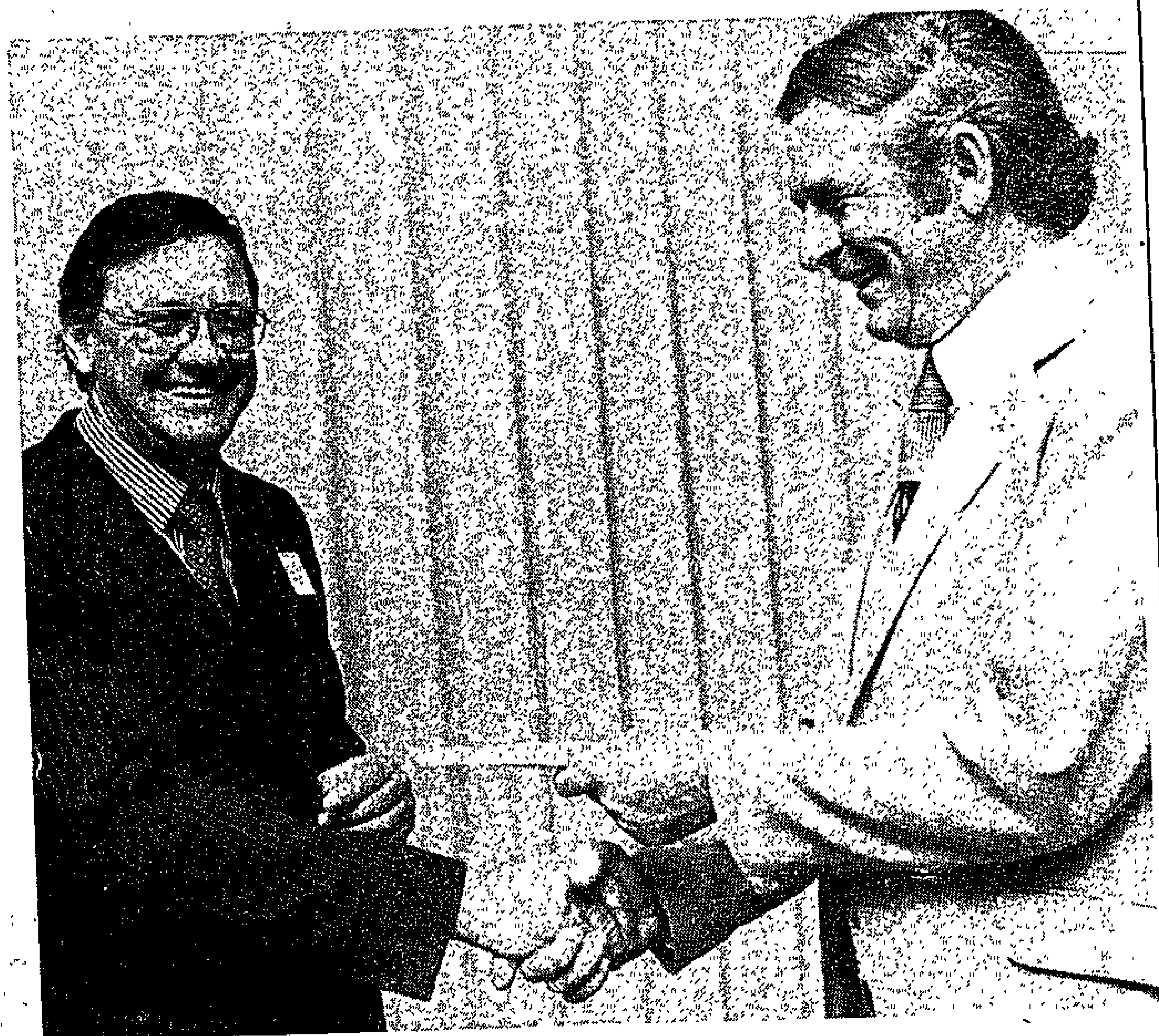
MACDEM, a holding company of a large group of non-ferrous metals and semi-manufacturers yesterday donated a cheque of R20 000 to the Urban Foundation — bringing its total for the past three years to R65 000.

The money is earmarked for the Foundation's Germiston Working Committee which has launched several projects in the Katlehong township.

Handing over the cheque to the Foundation's Executive Director, Mr Justice Steyn, Mr Murray Coutts-Trotter, managing director of Macdem said the donation was an extension of the group staff policy.

The chairman of the Germiston Working Committee, Mr Tom Jones said many projects had been undertaken in the past few years. He added that a clinic which will cost R100 000 will be built before the end of the year. It will be run by permanent qualified nurses.

A self-help business centre is planned to give financial assistance and guidance to Katlehong residents to set up businesses of their own. Also in the pipe-line is a self-help housing scheme. This entails the provision of know-how and cheap materials to enable people to build their own houses.



Mr Murray Coutts-Trotter, managing director of Macdem presents a cheque to the executive director of the Urban Foundation, Mr Justice Steyn.

Rembrandt sales R6 400-m a year

28/8/80 ARGUS

58

THE total assets of the Rembrandt group, excluding its mining, banking and insurance interests, amount to nearly R3 500-million and its annual turnover is more than R6 400-million, the chairman, Dr Anton Rupert, told shareholders at the annual meeting at Stellenbosch today.

He said the group continued to be the fourth largest cigarette manufacturer in the west with 64 factories in 26 countries.

In liquor, the group was among the biggest distillers in the world and had interests in an overseas brewing group with 10 breweries.

In South Africa the group had interests in mining, banking, insurance, manufacture and trade, including the chemical oil, clothing and printing industries.

The company's partnership with a European group in an overseas investment company was intended to lead to an investment in resource-based industries. The investment company had obtained interests in metals, minerals and energy resources.

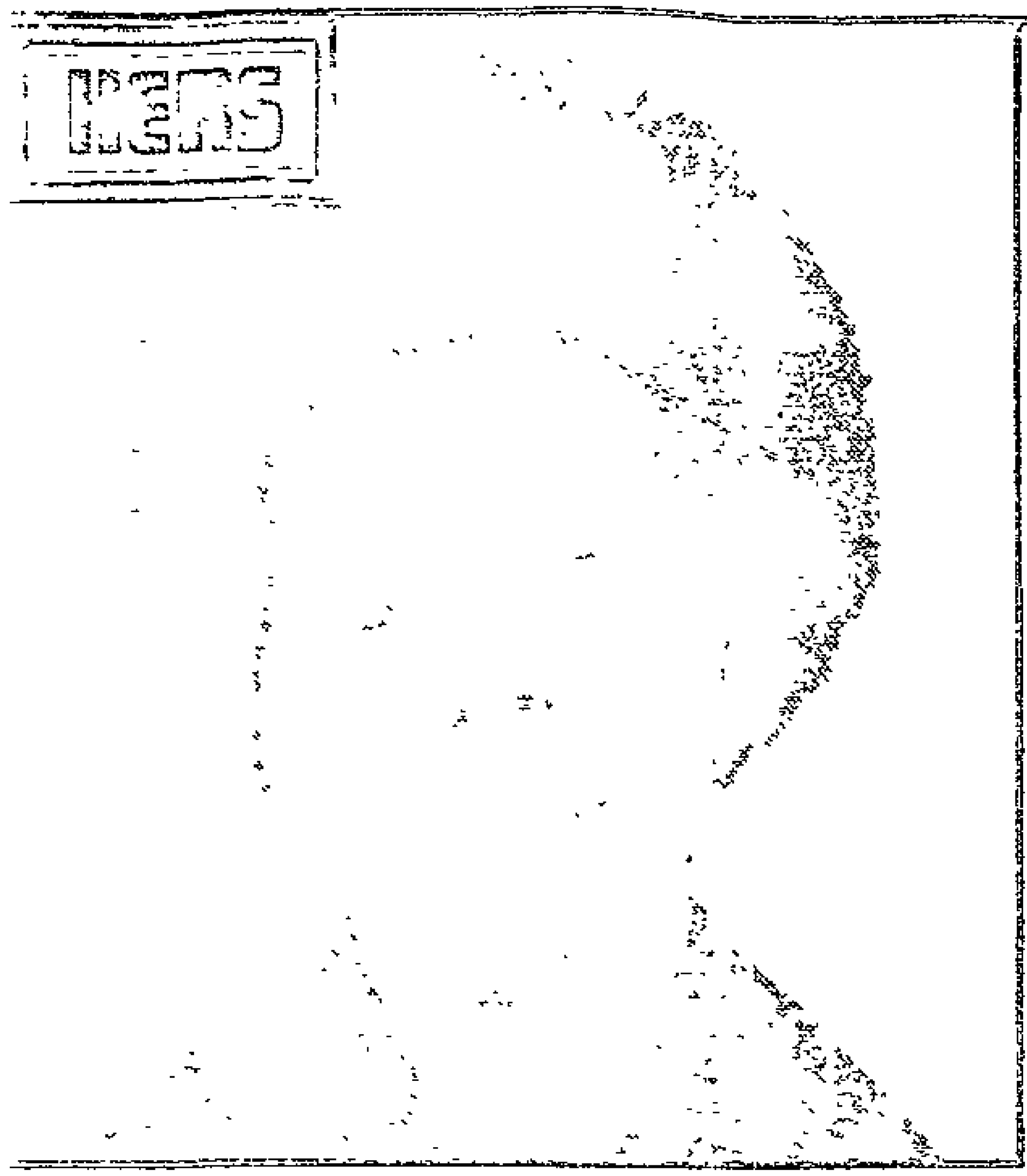
During the year the company increased its stake in Federale Mynbou and the Volkskas groups obtained an interest in the Legal and General insurance company and moved into detergents by obtaining a half share in the Henkel company.

The total cigarette market in South Africa was increasing by about 5 percent a year and it was expected that a similar gross rate would be maintained in the coming years.

The small business development corporation organised by the company had granted financial aid amounting to about R250 000 for the first 25 small businesses. It had also assisted other businesses whose problem after investigation were shown to be a lack of management expertise rather than money.

Derek Tommey

HERS



Thembi Gumbi [illegible] at the front with [illegible]

25/8/80 P.M. 58

Breaking the bank

Of the 15 major commercial banks in South Africa only two — Barclays and Standard — employ black women as tellers in Natal. The majority of banks reported an increasing number of black clients in the province.

Only two of the banks HERS contacted admitted to a policy of apartheid when it comes to serving members of the public. Volkskas Bank's policy is to employ members of a particular colour or racial group to serve the public of the same group, and Santambank's general manager commented that his bank's policy was that personnel should be of the same group as the public they are serving.

Nedbank — 30% of whose workforce is black, with [illegible] employed in white collar jobs — [illegible] a matter of time before a black woman is [illegible] as a teller, and is echoed by the Trust Bank.

All banks say that one of the major problems in obtaining female tellers is the lack of required qualifications. Few black women have matric [illegible] experience, probably because school [illegible] black people is not yet compulsory," said [illegible] Klashorst, General Manager of Santambank.

The policy of Barclays Bank is one of equal opportunity, with an equal salary scale, irrespective [illegible] colour — and the bank was recently [illegible] the South African Society for Banking [illegible] union newspaper for having achieved the [illegible] progress and salary increases for their [illegible].

The Standard Bank has a policy of no color [illegible] nation as far as employment and promotion is concerned [illegible] merit the only standard [illegible] [illegible] we [illegible] quality.

THEMBI GUMBI is 34 and a teller at Standard Bank, and she makes no bones about the fact that she loves dealing with the public. "It is the most enjoyable work I have ever done," she says. "You're in contact with people all day and you are your own boss."

Thembi grew up in Manzini, Swaziland as one of 12 children — 5 boys and 6 girls. She matriculated from St Theresa's High School in 1968 at the age of 23. "My father had a good job and he wanted us all to educate ourselves as far as possible, although he didn't force any of us to take matric against our will."

Tembi started her career as a ledger-keeper at Standard Bank, Manzini. [illegible] Cyril Gumbi, [illegible] became Thembi's husband [illegible] was also an employee [illegible] the [illegible] and in 197[illegible] [illegible] was transferred to the Ermelo[illegible] branch as a teller.

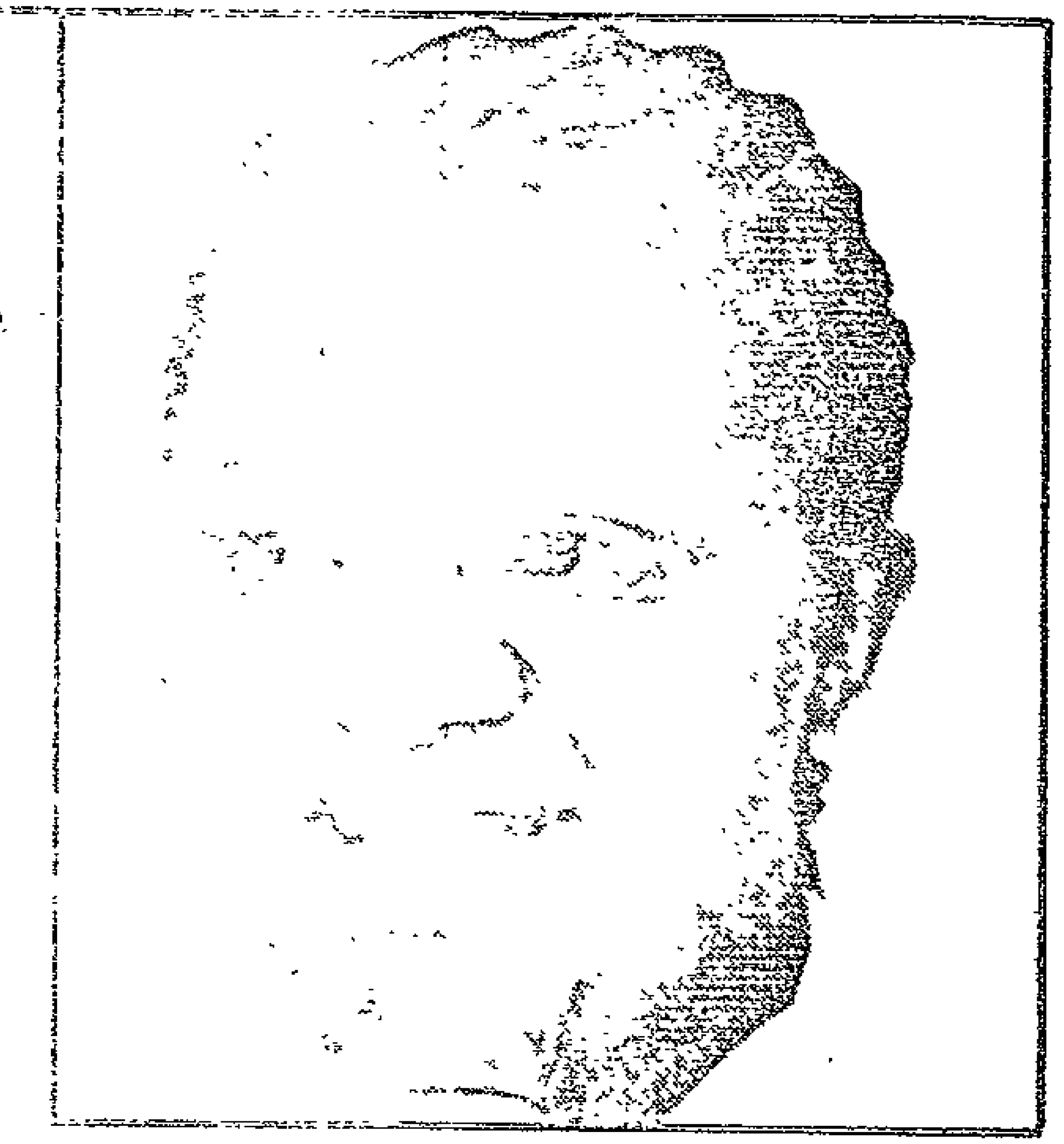
Thembi followed and worked in several departments until she started her training as a teller in March 1979. In July 1979 her husband was promoted to the position of manager's clerk at the Briardene branch in Durban and Thembi was offered a position as teller at the Durban main branch.

The Gumbis have two daughters aged 3 and 4. The eldest is at boarding school and the youngest stays with Thembi's mother-in-law in Port Shepstone and [illegible] her parents [illegible] weekends. [illegible] third child is expected in [illegible].

[illegible] the first [illegible] months after the birth of each child and then I handed her over to my mother-in-law. She is very good with them and gives them all the love they need."

"My husband doesn't mind my working at all — in fact he likes it," says Thembi. "We leave Umlazi at about 7.30 in the morning and he drops me at work before he drives to Briardene."

For the time being, Thembi is working in the waste department where she can sit to take the weight off her feet. But when she returns after the baby's birth it will back to the counter again.



[illegible] behind the counter with Barclays.

OCTAVIA CELE is 35, a friendly, self-assured woman. She is a teller at Barclays Bank in New Germany, where she deals with an equal number of white and black customers.

If the choice was hers, she wouldn't ever change the counter for any of the back stage jobs again.

"The African people really appreciate me being there, particularly the ones who struggle with English. The whites accept me as just another teller — some have even complimented me.

Octavia hails from Clairmont, one of a family of 10 children. Because of financial problems, she left school after Std 9 to do a two year secretarial course, including typing, shorthand and bookkeeping. Her first job was as manager's secretary at a firm of lawyers in Durban.

Six years later she joined Barclays Bank as a typist in the African Development Section at the Durban main branch. For the next six years, she worked in various departments at different branches until she started her two weeks training as a teller in April this year.

She still stays in Clairmont with her parents and her 7 year-old son, because it is so close to work and her mother can look after the child when she is not there.

ERINA BOTHA

BUSINESS

SS

Star 29/8/80

Rembrandt assets keep soaring up

By Jean Moon

Even leaving aside the mining, banking and insurance interests, of the sprawling Rembrandt Group total assets have soared to nearly R3 500m.

Chairman Dr Anton Rupert told shareholders at the annual general meeting that the group's annual turnover is now more than R6 400m.

The Rembrandt Group remains the fourth largest cigarette manufacturer in the West with 64 factories in 26 countries and is among the biggest distillers in the world with interests in 10 overseas breweries.

Apart from its South African interests in banking, insurance, manufacture and trade, including the chemical, oil, clothing and printing industries, its partnership with a European group in overseas investments has given it entry into metal, minerals and energy resources.

The group increased its interests in Federale Mynbou during the year and the Volkskas Group obtained an interest in the Legal and General Volkskas Insurance Company. It has moved into detergents by obtaining a half share in the Henkel Company.

The Small Business Development Corporation which the Rembrandt Group organised, granted financial aid of about R2 000 000 for the [illegible] small businesses during the year. It has also helped other businesses whose problems, after investigation, show to be a lack of management expertise.

Mr Rupert said that the total cigarette market in South Africa was increasing by about five percent a year, and it was expected that a similar growth rate would be maintained in the coming years.

Anton Rupert . . . tentacles everywhere

SA TO RAISE R190-m CREDIT IN EUROPE

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29/8/80 ARGUS

LONDON. — South Africa is poised to raise a 250-million dollar (R190-million) credit in Europe.

The credit is being arranged by Dresdner Bank of West Germany with Citicorp of the United States, Britain's Barclays Bank and the Union Bank of Switzerland.

Detailed terms are still being negotiated. But a clear principle has been established that the funds will be used to finance housing and education projects for the country's black population.

Dresdner Bank last arranged a credit of 150-million dollars (R80-million) for South Africa two years ago. The borrowing carried a margin of 1,5 percent over five years.

LOWER MARGIN

Today, however, the general downward pressure of Euromarket spreads coupled with the improved rating for South African credit would dictate a significantly lower margin.

News of the Eurocredit comes after a noticeable build-up of South African activity in the Euromarkets in recent months.

In June it launched a 120-million German mark (R53-million) bond issue, its first public international bond since the Soweto riots in 1976.

Last week Standard Bank of South Africa announced a R15-million dollar (R38-million) floating rate note issue, the first such issue for a South African bank.

REHABILITATION

The latest credit marks a significant step towards the rehabilitation of South Africa as a respectable international borrower largely because it is being handled with much less discretion than is normally the case for its Euromarket borrowings.

The banks are beginning to accept that South Africa is set on a gradual relaxation of apartheid. At the same time they are aware that the rapid rise in the gold price over the past two years makes the country a first-class economic risk. — Financial Times News Service.

STAATSKOERANT
VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA
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VOL. 182] KAAPSTAD, 29 AUGUSTUS 1980 / CAPE TOWN, 29 AUGUST 1980 [No. 7198

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PROKLAMASIE

VAN DIE STAATSPRESIDENT VAN DIE REPUBLIEK VAN SUID-AFRIKA

No. R 146, 1980]

INWERKINGTREDING VAN ARTIKELS 5 (1), 6 (1) EN 7 (1) VAN DIE MAATSKAPPYWYSIGINGSWET 1980

Kragtens die bevoegdheid my verleen by artikels 5 (2), 6 (2) en 7 (2) van die Maatskappywysigingswet, 1980 (Wet 84 van 1980), bepaal ek hierby dat artikels 5 (1), 6 (1) en 7 (1) van daardie Wet op 1 September 1980 in werking tree.

GEGEE onder my Hand en die Seël van die Republiek van Suid Afrika te Pretoria op hede die dertiende dag van Augustus Eenduisend Negehonderd en Tagtig.

M. VILJOEN,
Staatspresident

Op las van die Staatspresident-in-Rade,
S. W. VAN DER MERWE

PROCLAMATION

BY THE STATE PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA

No. R.146, 1980]

COMMENCEMENT OF SECTIONS 5 (1), 6 (1) AND 7 (1) OF THE COMPANIES AMENDMENT ACT, 1980

Under and by virtue of the powers vested in me by sections 5 (2), 6 (2) and 7 (2) of the Companies Amendment Act, 1980 (Act 84 of 1980), I hereby determine that sections 5 (1), 6 (1) and 7 (1) of that Act shall come into operation on 1 September 1980.

GIVEN under my Hand and the Seal of the Republic of South Africa at Pretoria this thirteenth day of August One thousand Nine hundred and Eighty.

M. VILJOEN,
State President

By Order of the State President-in-Council,
S. W. VAN DER MERWE

for full text see GG 7198

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S. Tribune 31/8/80

R4 million borrowing boost for the societies

Property Correspondent

BUILDING societies are to get more power for their development corporations with the increase by R4 million in their financial borrowing capability.

As a result, homebuilding for black, coloured and Indian groups is certain to get a further boost.

Previously, the societies' development operations — they have built thousands of homes, and are now driving hard into the lower income group housing programme — could use R4 million of equity as well as the right to borrow up to another R8 million.

Now this borrowing capability has been raised to R12 million

Annoucing this additional injection of funds for non-white housing, Boet Viljoen, managing director of the South African Permanent Building Society, said the development corporation of his society, in the past 10 years, had built homes to the value of R40 million.

Says Viljoen: "We have always defined our main purpose as being the provision of homes for the average middle-income family. "Our function is not to provide the rich with homes."

The Perm chief also pointed out that while building costs had risen by an estimated 200 percent over the past decade, his society had found it possible through long-term planning and the development of townships to keep costs down to a reasonable level.

"These savings were then passed on to the purchaser," he said.

The Perm has a nation-wide spread of developments in progress, a major one being the R20 million project at Circle Golf Course land at Pinetown in Natal, where an Indian township comprising more than 600 homes is taking shape.

While the extra R4 million development finance can only be welcome, it must be remembered too, that with spiralling building costs, as well as the escalation in land prices, the effect has to some extent been nullified.

Still, the extra millions when added up throughout the building society movement represent a great deal of money. This can help to alleviate chronic housing shortages, by giving the corporations "that little more to play with" without the development costs headache.

free market, feel that as the industry
benefit it should bear the burden
loss which it will recover later,
several problems encountered here.

RAND DAILY MAIL, Tuesday, September 2, 1980

Plastic money power and the meltdown threat

58 RDM 2/9/80

By MARTIN FEINSTEIN

THIRTY years ago an ignorant maitre d'hotel unwittingly gave birth to the idea of the credit card by refusing to give a New York multimillionaire credit at a restaurant. An outraged Frank MacNamara — who expected his reputation to stand surety for his bills — founded Diners Club as a result.

Eleven years ago Barclays launched this country's first bank-backed credit card, and today, more South Africans than ever are spending "plastic money".

There will soon be six credit cards available, tantalisingly marketed as "the new money", with over 1 500 000 cards being used to pay for everything from babyfood to funerals.

But plastic melts, and as long as the impulsive urge to buy, and buy again, is a step ahead of the computer's circuits, it will burn fingers.

On what is for most of us a rather bumpy financial road, is the credit card a helpful signpost or a deep and dangerous pothole?

Four of the card companies are relative newcomers, and competition for customers is bound to hot up as they begin homing in on their target markets.

And no quarter given or asked. "We either make love or we make war," says Mr Colin Gregor, divisional general manager of Barclaycard. "This is not really banking, it's consumer credit and that's commerce. You make one mistake and you're gone."

Traditionally, card-holders come from the A-B income groups. But now several banks — Standard, for example — are venturing beyond these levels and accepting more and more applicants from the C-D groups.

Could this make it easier for a consumer to take out not just one but several cards and end up on a "credit-go-round", using one card to pay off debt on another?

It could, say bank spokesmen — but they have confidence in their credit screenings. "Our screenings are as good as they can be," says Mr Randle Carter, head of Standard Bank's card division. "We are reliant on the credit bureaus for judgments.

"It's a different way of lending from the old type, when you sat across the desk from someone and formed your own, subjective, but very intuitive judgment. Now it certainly is more mechanical, but we're in a position to tighten up on that as we like."

But when thousands of cards a month are being issued, screenings are not infallible: take the case of the man with three bad debt judgments against him who received a card with a credit limit of R1 500, for example. Or the American who received 1 000 cards for a total credit limit of R10 250 000.

"I think the temptation is always there," says Mr Carter. "Credit is very easily available, wherever you go, and plenty of it. We are in the lending business and we expect to incur bad debts. As much as we would like to sift out all the bad debts, we'd be left with very little business."

Even though the bank is probing new markets, he says, it is tightening its standards.

"We're pretty well into the boom. Economic growth is at a relatively mature stage, and that's the time to start tightening credit because it becomes more difficult to collect in times of lesser economic activity."

Barclaycard, says Mr Gregor, has not targeted the C-D income groups. "I'm not saying there's anything wrong with a railway driver or a truckdriver", he says, "but when he has R3 000 available on credit and he's earning R600 a month, you're going to have problems."

Working from bitter experience and piles of computer print-outs, banks regularly change application forms as their identikit picture of a bad risk comes into focus. These are some of the faces they look at twice:

- Immigrants are often a high risk, irrespective of nationality. One source said motor mechanics, for example, would arrive in South Africa on contract, and state "mechanical engineer" on their credit applications.
- Anyone who hasn't been in the same job for long — three years is the norm — with due consideration to age, or who's single, rents a flat and doesn't have a family. Interestingly, a woman of 22 is a better risk than a man of the same age.
- Forty-year-old men. Said one banker: "You've got to look closely at them. At 40, two things happen: they either change their wife — or their job. Not at 42, not at 38, but at 40."

The banks undertake most of their own tracing and collecting, but often consult or hire attorneys and debt agencies.

Several such agencies said they had noticed an increase in the number of card-related cases, and expected it to continue. The manager of one told the Rand Daily Mail the card companies' collection departments were "very active" and getting busier all the time.

"Bad credit card debts are on the increase all the time, pro rata with their use," he said. "And the banks try to keep it secret, try to make it look hunky-dory. That's what they try and sell to the public."

Said another: "South Africa is the easiest country in the world to get credit. The man in the street is bound to pick up easy credit if he's inundated with it, and I am expecting an increase. Sure as anything, more credit cards will allow people to spend more and accumulate debt."

He said there was a group of "professional debtors" plaguing financial institutions, of whom 70% were successful in either absconding or changing identities.

The manager of another agency said: "It's too early to judge in boom-time when there is a better cash flow. But banks are fighting for their slice of the business and someone will always burn their fingers — especially with unsolicited credit."

Yet the banks are horrified at the thought of legislation — perhaps a law limiting the number of cards a person can hold — which might reduce the temptation to misuse cards.

Says Mr Vermaak: "Banks certainly have not given any indication . . . that they need Big Brother looking over their shoulder."

But behind the competition, fought with big advertisements on glossy media battlefields, the banks have a common problem: profitability.

Barclaycard, for instance, is reportedly expected to make a profit of less than a third of one percent this year. And, though the banks deny they are prepared to "write off millions" just to secure a slice of the R1 000-million card market, sources told the "Mail" the banks' card operations are among their least profitable enterprises.

Mr Vermaak said: "Losing millions may be true when it comes to setting up the system, but that, as I see it, is the cost of establishing a card, an investment. No bank will purposely go out and grant credit if it means they have to write off millions, or even thousands."

As a result of low profits, one shock that may be in store for South African card-holders is an annual administration fee. Only last month, the major United States banks announced their intention to levy such a fee.

They had two reasons for doing this. Firstly, the growing number of card-holders, as opposed to card users — in some cases as many as one in three people used their cards only for identification — and secondly, the high cost of the interest-free period a card-user enjoys between his purchase and date of payment.

During this time, an average 45 days, the 'money' the bank has 'lent' the card-user by advancing it to the merchant is not working as hard as a real loan. It earns only the merchant's fee to the bank, between 2% and 5%, and not the ruling interest rate.

Even though the card companies borrow this money from their parent banks at a 'prime' interest rate, they are left with a slim profit margin once the cost of processing is included.

If these trends become a feature of this country's credit card business, the banks may have no choice but to impose, say, a R20 annual fee — and if either Barclays or Standard did so, the smaller banks would have to follow suit.

In the US a bank is lucky if more than 50% of its cards are used for purchases. More and more people are using them for identification and to guarantee cheques, and South African banks could find their figures creeping the same way. Some local banks already have dormancy rates above 20%.

Ladofca (the Limitation and Disclosure of Financial Charges Act) is another profit headache for the card companies.

"We're unable to differentiate between the various credit levels," says Mr Carter. "Ladofca gives us the opportunity to charge 18% interest up to R500, 17,5% up to R1 000 and 14% over R1 000. But in practical terms, with our huge volumes of transactions, it's impossible. We can't differentiate, which is why we stay with 14%."

Fraud, although far from endemic, is a problem. Some banks report up to four cases a week, despite preventive measures and the use of full-time investigators.

"It's always a problem", says Mr Gregor, "because you never know when you can get hit. I believe in fraud prevention, but you're always one jump behind them. There are even professional men who live this way."

How SA banks operate credit card systems

By MARTIN FEINSTEIN

SIX banks and two international corporations, Visa and Mastercard, are the backbone of South Africa's credit card market.

Banks using Mastercard (formerly Master Charge) operate a system of revolving credit requiring only a partial monthly payment, while Visa-franchised banks require monthly payment in full but offer revolving credit by arrangement.

Barclays, Trust and Santam, which share computers, offer only Visa. Standard offers only Mastercard but is planning to secure a Visa franchise. Nedbank is expected to follow Volkskas and offer both.

This is where the banks stand:

- **STANDARD BANK CARD: Some 390 000 South Africans use the Standard Bank card, launched in the country in November, 1975. The bank's card division expects a turnover of R450-million this year, up from R260-million last year. About 5 000 cards are issued every month with an average credit limit of R700. Over 60% of applications are rejected. The cardholder must pay at least R10 or 5% of his statement every month, whichever is greater.**
- **NEDBANK CARD: Will be introduced "sometime this year", a Nedbank official said. The bank's card division is currently being set up and is expected to offer both Visa and MasterCard. Sources have said the card division is experiencing problems with its computer system.**
- **BARCLAYCARD: Introduced in January, 1969, it is South Africa's pioneer credit card. Average growth is 40%, but a staggering 75% last year. Including Santam and Trust, which Barclaycard administers, there are over 561 000 card-holders and 40% of applications are rejected. The average credit limit is R550 and the average transaction is R30. Payment must be made in full within 25 days of a statement.**
- **SANTAM CARD: Began operation on June 1, this year. Branch managers submit applications to the card division on behalf of valued customers.**
- **TRUST BANK CARD: Teething problems showed up in the accounting when Trust Bank launched its card in February this year but its operation is now running smoothly. Mr Smiley Vermaak, head of the card operation, wouldn't give figures ("With other cards coming onto the market we would prefer to keep that to ourselves") but said the number of cardholders was "ahead of target". He also refused to give turnover figures. The bank concentrates on marketing its card to Trust Bank customers and rejects about 40% of applications. The average credit limit is about R600.**
- **VOLKSKAS CARD: Introduced on August 1, this year, it offers both Master Card and Visa. Mr Ockert Smith, manager of the card operation, said applications were streaming in and up to 2 000 cards a day were being issued. The number of rejected applications is well below average as the cards are going mostly to Volkskas account holders, but will increase in future, he said.**

This list excludes the two international "travel and entertainment" cards, Diners Club and American Express.

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2/9/80

Profits take off in big economic surge

58

20m 2/9/80

By DAVID CARTE
Deputy Financial Editor

WITH the economic growth rate surging from 3% a year ago to 6,5% at the end of June, company profits have taken off in recent months.

The unprecedented gold price levels of the past year have pushed the profits of mining companies and mining houses to record heights.

And a Rand Daily Mail survey has found that 63 listed financial and industrial companies reporting for the period to the end of June have increased their pre-tax profits on average by more than 80%.

Companies reporting for the six months to the end of June increased their profits before tax by an average 102%, while those reporting for the year to June 30 were on average 60% ahead of the previous year's figures. (See table on Page 11).

The profit climb has not been confined to smaller companies. Even the country's biggest companies have achieved spectacular profit growth.

Anglo American Corporation, for instance, reported a R120-million — or 44% — pre-tax gain in the year to the end of March.

And in the year to June 30, Goldfields of South Africa hoisted pre-tax profit 88% to R129-million and Johannesburg Consolidated Investments gained by 40% to R78 200 000.

Among giant industrial companies, Barlows scored an R80-million or 59% pre-tax increase to R213 870 000, SA Breweries hoisted profit 40% to R118 200 000 and AECI achieved a 69% improvement.

In the financial sector, Barclays, Standard, Volkskas, Nedbank and Bankorp, controllers of the "big five" banks, have never done better.

Two of the biggest profit increases, among June-reporting companies, were achieved by Toyota — the only listed motor manufacturer — and Greatermans, the country's biggest retailers and owners of the Checkers, Greatermans and Ackermans chains.

Toyota achieved a 104% pre-tax turnaround, while Greatermans converted a loss of R3 800 000 into a R10-million profit.

Triomf boosted pre-tax profit [illegible]%. Dunswart Iron and Steel, resurrected from near shutdown by General Mining last year, lifted pre-tax profit 316%. The gain by Eriksen, the Ford dealers, was 112%, SA Associated Newspapers 303%, Quinton Hazell 407%, Ninian and Lester 155%, BTR 144%, Safmarine 303% and Sentrachem 101%.

Many companies had assessed losses from previous years. This reduced their tax rates and saw to it that taxed profits in many, but not all, cases grew even more than pre-tax profits.

The main reason for abnormal — or more than 100% — increases in profitability was that profits in the comparable period last year were low.

So although average profit growth for listed June-reporting companies was near 80%, it is not true that profits nearly doubled across the board.

Economists and analysts said much of the profit growth had been achieved because companies were using their plant and people more fully in a more buoyant economy.

Costs had been relatively stagnant in the face of large sales increases, with the result that profits had outstripped sales growth.

Another important factor, they said, was that interest rates were low and this diminished the cost of borrowing.

While they were confident that present levels of profitability could be held and improved upon for at least another year, economists and stock market analysts were adamant that this type of profit growth could not be achieved again.

They pointed out that profit mileage to be derived from taking up excess capacity in firms was limited and that most firms were already near capacity.

Eventually they would have to spend money on expansion.

In addition, export sales were threatened by the strong rand, and recession abroad.

Another problem that would cut into profit growth was the skilled labour shortage.

58 FOM 2/9/80

Interim Reports	Pre-tax Profit —	Earnings a share % growth	Dividends a share —
Caricor	58	75	83
Triomf	356	231	*
Sappi	80	82	50
Dunswart	316	260	*
Toyota	704	140	*
AECI	69	80	50
Metaclo	56	64	60
SAAN	303	317	150
Standard Brass	same	3,5	same
Verref	19,5	n/c	19
NEI	26,5	28,1	27
Unidev	25,0	26	20
SA Eagle	same	22,5	-
Stanbic	40	34	9
Eriksen	112	80	100
QHS	407	650	*
Ninian	155	150	60
Rennies	45	61	43
Adcock Ingram	28	25	21
Unisec	41	37	22
D & H	29	38	56
BTR	144	145	100
T W Beckett	n/a	36	35
Claude Neon	n/a	49	67
Cons Glass	n/a	28	88
Globe	n/a	38	27
I & J	n/a	10	22
Nat Bolt	n/a	81	50
Asea	n/a	10	28
Protea	55	58	41
DRG	42	n/c	n/c
Anglo Alpha	73	110	53
Tiger	22	23	25
Liblife	n/a	15	19
Lamberts Bay	-42	-43	n/a
Seaswa	-30	-54	n/a
Haggie	56	45	50
Trek	74	47	25
Foschini	15	52	n/a
Prelim Reports			
Everite	69	93	69
Indsel	72	62	63
Natsel	85	72	70
Woolworths	20	20	27
Premier Paper	-79	-19	n/c
Cusaf	20	13	same
Reunert & Lenz	n/a	124	35
Highveld	61	60	45
Seardel	91	146	80
Abercom	52	6	20
Calan	53	30	21
W & A	93	74	74
McCarthy	68	139	138
Edgars	52	50	35
Beares	31	8	23
Safmarine	103	30	47
Rand London	95	74	n/a
Chem Hold	68	56	40
Cullinan	68	63	28
Grinaker	27	52	33
Tedelex	38	56	54
Ellerines	30	28	29
Sentrachem	101	62	43
Bankorp	n/a	68	9
Amic	77	48	31
Sasol	43	44	n/c

n/a not available
n/c not comparable
* nil in 1979

THIS table shows how June-reporting industrial and financial companies' pre-tax profits, earnings and dividends grew in the most recent reporting period.

Because their growth would have been infinite, companies such as Greatermans, which returned to profit from loss, have been omitted.

So have several smaller companies whose large percentage increases might have distorted averages unduly. Also the results of Barclays and a few others were not comparable, so have also been left out.

SA's SAVINGS RATE AMONG THE HIGHEST

(58)

3/9/80 KCW

SOUTH AFRICA has one of the highest rates of savings in the world, figures issued by the Reserve Bank show.

In the 12 months ended June, South Africans saved R18 148-million, equal to 32,8 percent of the country's gross domestic product. This compares with a 31,2 percent savings rate in 1978-79.

The South African savings rate is about double that of most developed Western countries. However, it is still some way below the record rate of 40 percent achieved by the Japanese.

Total savings rose by R 444-million or 32,5 percent in 1979-80. This followed an increase of R4 288-million or 45 percent in the previous 12 months.

Savings by companies rose by R2 964-million after rising R1 054-million in the previous year.

However, the rate of personal savings dropped by R79-million in 1979-80 reflecting the increase in consumer spending. In 1978-79 personal savings rose by R1 741-million.

Savings by the Government increased by R451-million in 1979—80, which brought the overall increase of the three sectors to R3 336-million.

A R1 108-million increase in the provision for depreciation brought the total increase to gross domestic saving to R4 444-million.

THIRD YEAR

As a result of the continued strong rise in savings the rate of domestic savings exceeded investment for the third year running.

As only R14 526-million was needed to finance fixed and inventory investment, there was a savings surplus of R3 622-million which the Reserve Bank says 'was available for the reduction of South Africa's net indebtedness to the rest of the world'.

The Reserve Bank points out that there has been change in the composition of domestic savings in recent years.

Corporate saving, which accounted for about 24 percent of all saving in the period 1969-70 to 1976-77, rose to 60 percent of the total in 1979-80.

In contrast, the share of personal saving declined from an annual average of 54 percent in the seven years ended June 1977 to 22 percent in 1979-80.

The Government sector's share dropped slightly from 22 percent to 18 percent in this period.

Status of college queried

DURBAN. — Students at the Commercial and Computer College in West Street, Durban, were sent home yesterday after some had allegedly caused trouble by trying to establish whether the college was registered or not.

The students were asked to bring their parents to the college today to discuss the situation.

Students said yesterday that recent rumours that the college was not registered had caused concern about the value of certificates issued to them on completion of the 10-month course in computer operation.

Yesterday none of the officials at the college would confirm or deny its registration.

A spokesman for the Department of Indian Affairs said the college was definitely not registered with his department.

The principal of the college, a Mr Abraham, who would not give his initials — "Certain information cannot be supplied to anybody" — refused to comment.

The college has been operating for eight years. It has four lecturers and about 380 students, divided into classes of 70.

Fees are R449 a year, with a down payment of R49 and monthly payments of R40 for 10 months. — Sapa

BANK QUARTERLIES

58

Lending surge

FM 5|9|80

The banks' quarterly returns for the second quarter of 1980 illustrate the surge in bank lending, other than on overdraft, that has taken place over the last year, and the effects of high liquidity levels on the banking system.

The most significant increase among the commercial banks has been in banker's acceptances. This reflects the extent to which these banks have taken over business previously handled by the merchant banks. A prime factor behind the increase in this form of off-balance sheet lending is the fact that the drop in short-term rates has made it far cheaper than utilising overdraft facilities, the cost of which is pegged to Bank rate.

In addition, extensive local financing of foreign trade at the beginning of the year gave a strong boost to the acceptance market.

The merchant banks, on the other hand, have shown the most visible increase in their contingent liabilities. These include acceptances re-discounted, guarantees of different kinds, letters of credit, and so on — all forms of bank-endorsed borrowing.

Current account deposits with the commercial banks have continued to grow at a faster rate than total deposits. This trend is due to a combination of factors, among them the fact that low interest rates provide little incentive to move funds into term deposits.

More fundamentally, the surge in cheque deposits reflects high levels of liquidity generated by the BOP current account surplus, and by the fiscal emphasis on private consumer spending. Bankers say there is a very close statistical correlation between current account growth and hire purchase increases. Current accounts are relatively volatile forms of deposits, and bankers express the fear that there may be large withdrawals as interest rate movements make other avenues of investment more attractive.

Exemplifying the level of consumer confidence in the economy, the general banks have seen large increases in their lending books. Leasing and hire-purchase together rose almost twice as fast in the second quarter as in the first, and leasing had its sharpest rise in four years.

The most dramatic improvement was shown by Santam, which rose from a relatively small base to increase its overall market share by 25%. This was probably due to one or two very large contracts.

Demand by the banks for NCDs is inversely related to their need for funds. In most cases, NCD holdings have been run down, which in itself is an indication of the high levels of liquidity currently being enjoyed by the banking system.

BIG FIVE — ACCEPTANCES ACCELERATE

	Cheque deposits	Total deposits	NCDs	Risk lendings	Acceptances	Contingent liabilities	Investments
			Rm				
Barclays	1 438	4 114	241	1 923	234	1 937	885
% change	40	20	11	3	144	45	4
Standard	1 277	3 358	166	1 524	91	1 226	540
% change	44	26	−8	7	*×5	30	−17
Volkskas	843	2 361	35	871	73	438	653
% change	54	23	nil	9	100	−16	16
Nedbank	336	1 656	209	649	294	677	571
% change	44	21	47	21	nil	*×5	12
Trust	166	1 220	91	944	121	149	202
% change	44	17	−20	26	169	45	−2

* % change on June 1979 quarter.

MERCHANT BANKS — CONTINGENCIES CLIMB

	Total deposits	NCDs	Acceptances	Risk lendings	Contingent liabilities	Investments
			Rm			
UAL	146	22	230	36	79	77
% change	5	−37	125	71	93	10
Senbank	161	48	231	75	177	86
% change	7	−4	15	nil	*×11	19
Standard (M)	129	15	187	77	94	66
% change	−10	−38	36	−14	*×5	14
Barclays (M)	109	12	48	21	10	76
% change	−4	−8	−19	−43	43	−18
Hill Samuel	95	11	74	61	110	11
% change	6	−35	37	−2	*×3	−15
Mercabank	163	10	29	105	41	27
% change	18	100	45	27	21	−7
Finansbank	82	5	15	40	46	19
% change	28	−58	15	−7	*×3	36
Volkskas (M)	76	18	82	33	118	48
% change	10	13	55	10	2	*×4
Rand Merchant	4	nil	29	2	64	1,2
% change	−67	nil	*×4	nil	*×30	20

* % change on June 1979 quarter.

HP AND LEASING LEAP

	Hire purchase	Leasing	Total	% share of market
		Rm		
Stannic/Stancor	571	536	1 107	26,4
% change	38	44	43	1
Barclays Western	535	209	744	17,8
% change	61	44	56	10
Trust	386	183	569	13,6
% change	52	55	53	8
Barclays (C)	106	287	393	9,4
% change	23	7	11	−22
Nedfin	108	157	265	6,3
% change	16	−7	2	−28
Santam	213	147	359	8,6
% change	53	130	78	25
Volkskas (C)	83	53	137	3,3
% change	32	18	28	−11
Volkskas Industrial	48	33	81	0,9
% change	45	136	72	−44

* % change over June 1979 quarter.

Pension funds and institutions are taking over

Property scene changes

7/9/80 SUN TRIB (PROP)

By COLIN VINEALL
Property Editor

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PENSION funds, insurance companies and other investment institutions which represent savers are gradually taking over the ownership of real estate freeholds on a world-wide basis, says the Richard Ellis International Property Report for 1980.

This is the significant development in world property markets, says the report.

"It is in the interests of these new owners that the most effective economic use is made of these assets. From the standpoint of the occupiers — the corporations and organisations engaged in manufacturing, administration and retailing — this willingness of the institutions to acquire and improve the assets needed in their operations has the additional plus that it frees their own capital for direct use in their own businesses.

"The challenge to both institutional investors and corporate occupiers is to achieve their objectives at a steady pace of expansion and growth in a world which suffers oscillations in interest rates, trading volumes, economic prosperity and political interventions."

On offices, the report says it is interesting to analyse data on office equipment. As might be expected the main markets continue to be advanced industrialised countries, but it is evident that the fastest growing markets are in the rapidly developing countries — office activities are increasing at the highest rate in countries such as Brazil, Argentina, Indonesia, Singapore, Hong Kong and Nigeria.

"In these countries, fi-

"In the older industrialised countries there is continuing concern about the environment in the inner areas of established cities. This concern has led to planning or building permit controls which have effectively restricted the supply of new developments in some central areas raising the values of the existing properties. There have been parallel increases in rent which have prompted occupiers worried about increasing accommodation costs to seek alternative locations in fringe areas."

On the industrial and warehousing sector, the report says one of the more interesting developments in the industrial sector in the recent past has been the shift of emphasis of manufacturing enterprises.

"The industrialised economies have been finding it difficult to compete with the mass-produced outputs of the developing countries in such industries as plastics textiles and metal fabrication.

"The response in North America, Western Europe and Japan has been to focus entrepreneurial attention on the more advanced industries.

ON the retail sector the report says that two main strands of change can be discerned in the development of retailing

35 000 bricks. If local bricks are used the cost would be, for face and common, about R2 585 or six percent of the total cost of building.

The imported bricks would add another R2 400 to the cost but, Corobrik points out, this is equal to the cost facing a builder who has to wait three months for South African

With the anticipated delays before any orders could be fulfilled, it could be after the builders' holiday over the Christmas and New Year before the first British brick house goes up in Blikkiesfontein.

The British bricks are smaller than ours but this should provide no difficulty to local builders as

Our economy is booming while

We're winning!

the Western nations are feeling the pinch

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7/9/80, Sunday Trib.

By TONY HUDSON
Finance Editor

SOUTH AFRICA has taken the lead in the world growth stakes as Western nations stagger under the combined impact of rampant inflation and recession.

Main reasons for this are:

- A rapidly-rising gold price which could reach as high as 850 dollars an ounce;
- Soaring non-gold mineral sales; and
- A booming economy with rapidly rising company profits while the rest of the world stagnates.

The average South African benefits from this by:

- More tax cuts;
- Better job opportunities for all races; and
- A drop in the inflation rate.

Figures released this week show that this country, with a growth rate of more than 10 percent for the first six months of the year, has passed previous leader Japan. That country hit the eight percent mark in the first part of the year. Signs are that its economy is now flagging and that the figure could drop in the next few months.

And with gold firmly set on an upward path, we are going to have more than enough hard cash to meet the most sophisticated industrial expansion plans in the next few years.

Finance Minister Owen Horwood set his sights on 350 dollars an ounce for gold for the current year, but the average price to June was 586 dollars.

So for the period to June 30 this year, South Africa earned more than R2 500-million than it bargained for, and that was only for the first six months.

The present indications are that the average for the second half of the year is going to be well above that of the first half. This means Senator Horwood is going to have more than R4 000-million extra to play with when he comes to do his budget next year.

And so healthy is the outlook that bankers no longer have to resort to undercover methods for obtaining overseas cash. They now compete openly at competitive rates for foreign capital.

Trial runs have shown the world is now only too eager to lend money to this country. Loans of up to R250 million are in the pipeline.

Reports from London say that credit is being arranged by Dresdner Bank of West Germany together with the US's Citicorp, Barclays of UK and Switzerland's Union Bank.

Detailed terms are still being negotiated but the principle has been established that the funds will be used to finance black housing and education projects.

Internally, the economic scene is good.

A survey of companies reporting this year shows that 63 listed on the financial and industrial sections of the Johannesburg Stock Exchange show pre-tax profit increases of more than 80 percent while companies reporting to the six months to June 30 show profits up by as much as 102 percent.

And on the inflation front, leading economists feel that while the problem is not yet licked, the signs are that it is becoming controllable.

The public will benefit by:

- Further tax cuts. As more and more money flows into the country from gold sales, the Treasury will be more able to reduce the tax burden on the individual and on companies;
- More jobs. As industry starts to expand — at present it is opearting at over 90 percent capacity — more and more jobs will become available to all races. Additional income earned will be reinjected into the economy, thus acting as a further boost to growth.

But three possible flies in the ointment which could change the whole scenario are:

- Politics: If the aspirations of the non-white segments of the community are not recognised and realised to some degree by Government, riots and violence will cancel any good that is being done by the economy at present;

Labour relations: If not handled properly industrial unrest will destroy the profit record needed to attract the much needed overseas investment in this country.

- Skilled labour shortage: This is tied to the other two factors for if they take place,

desperately needed labour will not come to South Africa because of unrest, and the consequent shortage could well strangle the current boom.

56 STAR 10/9/80

Fraser to head Rothmans

A former Chief of the Army and South African Consul-General in Iran, General Charles Alan Fraser, has been appointed chairman of the board of Rothmans (South Africa).

After the revolution that toppled the Shah of Iran, General Fraser was asked by the revolutionary government's Foreign Affairs Department to leave the country.

He saw service during World War 2 as an artillery officer in Italy, East Africa and the Middle East and in 1966 was appointed Chief of the Army. In 1967 he became Officer Commanding Joint Combat Forces.

After leaving Iran General Fraser has served on the boards of several companies in South Africa.

At a Rothmans board meeting in London this morning General Fraser was appointed chairman of the board of the company's South African subsidiary.

BUILDING SOCIETIES (58)

Raking it in

FM 12/9/80

There is little in the 1980 annual reports of the building societies to upset their cosy pecking order or the way they run things.

Total assets grew in the 1979-80 financial year by a respectable 19,6% and there is no change from last year in the comparative size of the societies if asset holdings are any criterion. United remains firmly at the top of the league, even though the total assets of its nearest rival SA Perm jumped by 4,2% more than did those of its own.

Lower down the table, Standard — the building society arm of the Stanbic group — had another bumper year, confirming its position as SA's fastest growing society with asset growth of 71,1%. It demonstrates the marketing advantages of a close association with a bank group. If Standard and Southern Trident repeat this year's growth figures next year, Standard will wrest sixth spot behind Saambou from Southern Trident.

Likewise, this year's growth patterns next year for Eastern Province and Trust will make EP the larger of the two. This suggests that the once vigorous Trust, part of the Trust Bank group, is being played down by Sanlam.

Shareholdings and deposits rose by 19,8% in 1979-80. Mortgage advances, however, were up by only 16,5%, another year in which the societies have taken in more money than they have lent.

A cut in the deposit rate thus appears to be called for, but the societies argue that with surging demand for mortgages they cannot afford to lose money. Indeed, the accounts of the Big Five show that between 73,8% and 78,3% of their total funds available are committed in mortgage advances. Even allowing for prescribed investments, which must be equivalent to 10% of liabilities to the public, and a safety margin of 3%, the societies still have considerable amounts to lend to home seekers.

To measure the societies' "profitability" on funds employed, non-dividend appropriations and non-trading charges to profit were added back to determine the societies' trading profit, which is calculated as a percentage of total assets.

The second largest society, SA Perm, takes only sixth place in terms of this measurement. This is mainly attributable to the Perm's very conservative accounting policy of writing off the cost of premiums paid on stocks acquired in the year of purchase against profit on the realisation of investments. These amounts are substantial, in the current year totalling R6m.

True profit

While subsequent profits on the realisation of investments are added back to revenue, one critic says such huge adjustments to the figures make it impossible to assess the Perm's true profit. Since its merger with the old Perseverance Society rate has been 28,7%. This is almost identical to the 28,5% average annual growth in the past 10 years for the societies as a whole, but the true growth figure could well be higher.

Surprisingly, Standard ranks fourth from the bottom when it comes to "profit" as a percentage of assets. A R523 200 writedown against "profits" partly accounts for this, but its low rate of mortgage advances may also have diminished gains from mortgage interest. (At 69,5% Standard has the lowest proportion of any society of its funds tied up in home loans.)

Bottom of the "profitability" and asset growth list is Saambou. Provincial, Natal and Grahamstown, by contrast, despite their more modest asset growth rate, are among the more "profitable" of the societies.

With the April cut in the mortgage rate, the Big Five stand to forgo upward of R44,9m in interest, which has aroused fears that "profit" margins could be squeezed. The combined trading "profit" of the Big Five in the past financial year was R49,3m But the most recent newsletter of the Building Societies' Association

GROWING ASSETS

RANKED BY: Total assets	% total growth		Total assets Rm	Increase %	Shares Rm	Increase %	Deposits Rm	Increase %	Mortgages Rm	Increase %
1	5	United	3 131,1	18,7	1 476,9	22	1 504,6	16,1	2 317,7	14,8
1	4		2 637,1	17,4	1 210,3	11,5	1 296,5	24,0	2 019,3	7,5
2	2	SA Perm	2 433,3	22,9	1 256,9	23,3	1 093,9	23,0	1 817,0	18,7
2	5		1 980,7	16,8	1 019,5	11,5	889,6	22,9	1 530,2	10,5
3	9	Allied	1 842,4	15,5	921,5	17,3	858,8	14,2	1 443,6	13,5
3	8		1 594,5	13,6	785,9	9,8	751,7	18,3	1 271,7	8,4
4	10	Natal	1 034,4	15,4	534,3	20,0	460,9	10,3	797,6	14,0
4	7		896,4	14,3	445,2	13,0	418,0	16,0	699,8	11,5
5	11	Saambou	822,2	15,4	474,7	21,3	326,7	8,0	606,8	11,2
5	9		712,6	13,3	391,3	8,1	302,6	21,1	545,9	11,6
6	3	S Trident	352,8	21,2	163,4	31,4	180,7	13,5	256,7	20,7
6	6		291,1	15,1	124,4	5,9	159,2	23,5	212,7	6,5
7	1	Standard	302,3	71,1	167,1	92,7	130,3	51,0	210,2	70,2
7	1		176,7	56,5	86,7	73,4	86,3	45,3	123,5	39,1
8	6	Trust	188,8	16,8	147,9	26,6	29,8	83,2	149,7	21,5
8	3		161,7	17,6	116,8	13,3	35,8	27,0	123,2	8,9
9	4	E Province	186,9	19,4	95,0	37,9	86,1	3,6	144,2	21,1
9	2		156,5	20,1	68,9	20,2	83,1	20,6	119,1	15,2
10	8	Provincial	63,2	15,8	24,5	65,5	35,8	-3,8	48,2	9,8
10	10		54,6	11,0	14,8	2,8	37,2	15,2	43,9	8,9
11	7	Grahamstown	50,8	16,5	23,8	15,0	24,5	19,5	40,8	16,9
11	11		43,6	9,5	20,7	20,3	20,5	20,5	34,9	7,1

TRADING SUCCESS

	United	Provincial	Natal	Grahamstown	Trust	SA Perm	Allied	Standard	Eastern Province	Southern Trident	Saambou
	R0 00s										
Retained profit at March 31 1980	4 618	223	769	605	80	1 539	2 737	466	158	172	3 217
ADD											
— Transfers to reserves	7 500	200	2 750	110	500	3 000	1 112	—	219	465	2 750
— Taxation	7 945	147	2 040	130	441	5 545	1 825	167	219	161	—
— Depreciation	3 900	49	1 350	—	65	2 915	—	122	196	364	994
— Provisions & write downs	1 300	—	50	—	—	(73)	4 685	523	—	—	—
— Donations & special contributions	—	—	80	2	—	750	613	12	4	12	100
	25 263	619	7 039	847	1 086	13 676	10 972	1 290	796	1 174	7 061
LESS: Retained Profit on March 31 1979	4 316	216	536	531	46	2 349	2 594	258	75	148	4 963
Trading profit (1)	20 947	403	6 503	316	1 040	11 327	8 378	1 032	721	1 026	2 098
Total assets — mean, 1979-80 financial year (2) (Rm)	2 884	59	965	47	175	2 207	1 718	240	172	322	[illegible]
Trading profit as % of total assets (1) ÷ (2)	0,73	0,68	0,67	0,67	0,59	0,51	0,49	0,43	0,42	0,32	0,2

CHECKS ON RISING PRICES SEEN

18/9/80 ARGUS (58)

ALAN COOPER, Property Editor

THE writing is on the wall for rocketing prices in both the bottom and top end of the housing market in the Cape. Building societies are concerned about the phenomenal prices for the higher bracket houses while this trend in the lower bracket is making it difficult for the young couple to buy their first house.

'Building societies are concerned about the sudden rise in prices for houses in the top end of the market,' said a building society executive. 'For those houses in the R100 000 level we are not finding our value and will not be able to grant loans commensurate with the selling price.'

His society valued houses for loan purposes at R230 a sq m and allowed depreciation for age.

Where societies had their own insurance companies they revalued properties every second year at 17 to 18 percent higher.

'But the writing is on the wall for those top end houses. We are talking about them and hoping to find a solution to rising prices.

'At present there is no problem in granting loans as money is plentiful. But the fall-off in loans must come and then societies will have to be more selective.

'As it is, our society ensures there is substantive proof of income before granting loans.

The Fouche Commission had recommended that building societies adhere strictly to the granting of loans based on repayments equivalent to 25 percent of the breadwinner's income.

'We are maintaining this,' said a society executive,' but have broadened it now to include 50 percent of the wife's stable income for repayment purposes.

However, in the lower end of the market this income qualification is causing problems for house prices are rising quicker than salaries and many young people are finding that they are unable to afford their first home as a result of the 25 percent limit.

'This is a tremendous problem because building costs have escalated at a far greater rate than salaries over the past five years,' said Mr Selwyn Myers of Garden Cities, a non-profit housing developer.

'There is an ever widening gap between the cost of houses and the "payability" — the ability of the buyer to meet bond costs still within 25 percent of his salary.'

More flats sold

THE number of transfers of sectional title units registered with the Deeds Office, Cape Town shot up sharply in the first eight months of this year compared to last year. The increase — 42,7 percent — reflected the sudden popularity among buyers of sectional title flats.

In the first eight months of this year a total of 2 207 units were transftrred compared to 1 546 for the same period last year.

Auctions pay off

THERE is no better time than the present to sell your house, block of flats or furniture by public auction, declares Mr Julius Buchinsky, a Cape Town auctioneer.

Auction prices for property are proving between eight percent and 25 percent in excess of the original asking price.

Last week Mr Buchinsky auctioned a house at Vredehoek for which R26 000 was asked. The top bid was for R30 250 and with expenses, the buyer paid R31 923.

Money bounds into building societies

(58) RDM 20/9/80

By HAROLD FRIDJHON

MONEY poured into the building societies during the quarter ended June 30 1980. Funds invested grew at a rate of 4,1% to a total of R10 469 900 000.

The biggest increase in the volume of money received was in investment in shares, which rose by R293-million to R5 583 500 000, a 5,5% advance during the quarter.

This is a significant gain because it represents longer term money which is less footloose than other funds which the societies receive. Compared with the inflow in the June quarter 1979 this is a 78,4% improvement.

Fixed deposits rose by only R38 400 000 to a total of R2 608 800 000.

This inflow is at a much reduced rate compared with the quarter to June 1979 when the societies received R97 200 000 and explains why the societies raised their fixed deposit rates.

Alternative investments must have seemed more attractive to traditional building society investors.

Compared with R14-million in the quarter to June 1979, the inflow of money into savings accounts swelled by up to R79-million in the last quarter taking the total to R2 229 600 000 at the end of June 1980.

The increased figure suggests that in spite of the tendency to spend-today-and-save-tomorrow because of the futility of inflation, a large sector of the public is taking care of their rainy day money and not rushing off to the shops.

The slow increase in the volume of money in transmission accounts — an increase of R9-million to R48-million — suggests that the authorities overestimated the position when they created this hybrid account.

In its official comment, the Association of Building Societies says that it expects investment money to remain in free supply for the rest of the year.

Building societies should not experience any serious difficulties in meeting loan demands. However the increases in property prices will mean that more and more money is needed to finance the same number of bonds.

This is borne out by the association's statistics.

At June 1979 the average bond on houses was R19 959; by the June quarter 1980 this figure had increased by 17% to R23 397. In the last quarter, the gross amount lent on bonds exceeded R1 31[illegible]-million — more than double that at the same period in 1979, with the quarterly capital repayment reaching R535-million.

Spelling out the steps in the phasing down of tax benefits on subscription shares, the association's newsletter says that for the tax year ending February 1981 dividends will be tax free up to the extent of a capitsal sum of R150 000.

For the tax year to February 1982 the capital amount will be reduced to R100 000 a person and in 1983 this capital amount will be further reduced to R50 000 which will be the limit for all ensuing years.

The building societies are considering issuing a new class of subscription share with slightly higher dividends and partially taxfree.

FINANCE

R187,5-m LOAN SEEN AS TEST FOR SA

19/9/80 ARGUS

(58)

Argus Bureau

LONDON. — Final terms for the 250-million dollars (R187,5-million) seven-year Eurocredit for South Africa have now been fixed.

The loan, the biggest syndicated credit [illegible] raised by the South African Government, will carry an interest rate of 0,[illegible] percent over the London interbank [illegible] months rate for the first two years, rising to [illegible] percent for the remaining five.

According to a Financial Times Report, the loan is a critical test of South Africa's name in the Euro-currency markets. It [illegible] to be widely syndicated and a warm response is considered vital.

WIDE SPREAD

The leader managers, Dresdner Bank (Germany), Barclays (Britain), Credit Commercial de France, Citicorp (US) and [illegible] of Switzerland have been carefully chosen to [illegible] geographical spread.

The Financial Times says: "The lead managers have stressed that proceeds of the loan are to be used to [illegible] housing and education.

"The credit has [illegible] taken on the trappings of a [illegible] relations [illegible]

SUN TRIB (FIN)
21/9/80
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The new S. African ~~Great~~ economics

In the middle: Agriculture Minister Hendrik Schoeman. The meat-eating public don't like his economic system

By BEN TEMKIN

. . .or how to set up perfect monopolies for the producers

THE new South African economics is a phenomewow which looks as though it will become deeply rooted in the structure of our society.

The latest evidence of the hold that the new economics is taking is in the hot debate over the meat price — with those in authority suggesting that if demand falls off the price of meat will go even higher.

Even those tormented consumers with short memories will remember how, just a few years ago, the Minister of Agriculture — the same one now telling us all about the economics of meat — warned that dairy prices would take off unless we consumed more dairy products.

We thought this hysterically funny. After all, the laws of supply and demand tell us that when demand falls off producers reduce their prices in order to sell more of their product.

How wrong we were: We should indeed have been hysterical but with anguish rather than with amusement. The prices of dairy products rocketed and are soaring even further as consumer resistance, especially to fresh milk, increases.

What Hendrik Schoeman told us at the time of the dairy crisis was that producers were being forced to cut back on production because the prices they received in the market place were too low. This made it uneconomical for them to sell their products.

To preserve their production bases, they would have to have the prices of their products increased. It was appreciated that the higher prices could cause a fall-off in demand but this would tend to reduce production rather than prices.

While we chuckled at this contradiction to the economic theory we had been taught, we failed to notice that there was no real contradiction at all

What had happened in the dairy industry was that the State had created a monopoly by bringing all producers together under one control board. This monopoly could, therefore, raise or lower prices at its own discretion and adjust its supplies to meet the requisite demand in such a way as to give itself the level of profit it desired

Mr Schoeman and the Dairy Board were not rewriting economics — they were simply applying the lessons they had learnt from the text books.

It should, therefore, be no surprise to us to see a repeat of the dairy-price cycle with red meat. The Meat Board has, like the Dairy Board, created a monopoly which can dictate prices to the consumer.

Competition is diminishing by the day — it would be hardly surprising to find that most meat sales in cities are now through the supermarkets, which are dominated by the big meat-producing corporations

This is a perfect state of affairs in which the price to the producer can be raised to a level which promises him some very good profits if he is efficient while, at the same time, others with a vested interest in the meat market, such as the wholesalers, can get a really fat return for their labours. (It's worth noting that the Meat Board blames competition through fair enterprise for the high prices).

As we all have learnt to our bitter regret, price forecasts from those who control prices are self-fulfilling. Armed with this knowledge, we can expect, therefore, that the R8 to R10 per kilogram forecast for top cuts made by the Meat Board will be with us very soon.

Furthermore, we are told that if we boycott red meat, then not only will prices rise but there will be a shortage which will induce further price increases. The Meat Board is telling us that it will control supply in line with demand to ensure that its prices will be met.

Here we see again perfect monopoly in action. Of course, if it is to work effectively, then producers must be able to sell as much of what they produce as possible. This is why housewives are exhorted not to boycott red meat. If they do, then some of the producers will inevitably have to go out of business altogether — and that is hardly the intention of the authorities in a state which has a vested interest in keeping as many white farmers on the land as possible.

In case anybody disputes this latter assertion, let it be noted that the Meat Board made a whacking great loss on exports of meat at the expense of the local consumer during its last reported financial year. You don't make this kind of loss unless you really care about your important constituents.

The new South African economics is not, therefore, concerned with new theories. What it is, is a practical example of how free enterprise can be distorted by State control to the extent that the basic laws of supply and demand no longer operate. Effectively, monopoly replaces competition at the expense of the consumer while at the same time promoting inefficiencies among producers.

The trouble is that it will take years for the South African consumer to break the red-meat-eating habit. A boycott, unless it is almost a total boycott, is unlikely to force prices down. A monopoly of an essential product is neither price-sensitive nor demand-sensitive because demand cannot change radically enough as prices change.

If there is a hope that meat prices and the prices of other agricultural products will tend to maintain a more gradual increase, then it is the hope that we will be able to root out the unnecessary state controls that are strangling our so-called free enterprise system.

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Omnia in reverse takeover of Columbus

Star Business 5S RDM 21/9/80.

By HAROLD FRIDJHON

OMNIA Holdings has done a reverse takeover of Columbus Holdings, a company controlled by Mr Peter Gain.

Shareholders in German African Finance Corporation will be allotted 9 305 200 shares in Columbus German African with 35,2% of the capital is one of the major shareholders in the Omnia Group which is involed in the production and marketing of dry and liquid fertilisers

Among the conditions for the deal are

- Columbus consolidates its shares with one new for every two old shares, reducing the capital to one million new share from two million old.
- Columbus will acquire sufficient shares in Omnia so that its holding will be not less than 50,1% but with the right to accept 52,6% Columbus will issue a further 3 947 000 shares — with a maximum of 4 623 876 shares, increasing the Columbus issued capital to between 13 252 600 and 13 929 076 shares

The board will be reconstituted without Mr Gain

The effective date of the transactions will be October 1 1980 and Columbus will participate in the final dividend to December 1980 This will result in Columbus shareholders receiving a dividend of not less than 2c a consolidated share.

A transmuted listing statement is being prepared and shareholders should await that before taking any action

Diroyal profit improves

58

RDM 21/9/80

Financial Reporter

DIVERSIFIED industrial holding company, Diroyal Investments, continued to improve inturn in the six months to end June.

According to the interim report, taxed profit in the first half rose 79% to R1 113 000 (R648 000) while earnings a share climbed 70% to 9,0c (5,3).

Earnings for the second half of the year "should not be less than those achieved in the first half" according to Diroyal's directors.

The improved performance over the period reflects "buoyant trading conditions affecting all the divisions of the group" says the report.

It adds that the interim profits incorporate those of Premier Wire which was acquired in the second half of 1979.

Joint managing director, Mr H Sender, says that while Premier Wire made a maiden contribution to earnings, all divisions in the group contributed to the improvement.

If Diroyal earnings only hold in the second half, and earnings are 18c for the year, assuming dividend cover is held at 2,5, it should pay a dividend of 7,2c.

At 97c, this puts the share on a prospective yield of 7,4%.

Liberty Life has brilliant half-year

58 (WM) 21/9/80.

By HAROLD FRIDJHON

LIBERTY LIFE has had an exceptional half-year to June 1980. Net Premium income is up 31%. Net investment income is up 31%. New business is up 52%. And the interim dividend has been raised by 19% from 42c last June to 50c.

A final dividend of 65c a share has been forecast making 115c for the year to December compared with 100c last year.

There was a tremendous spurt in premium income which was R72 270 000 in the six months to June 1979, R75 518 000 in the second six months of last year and then R94 760 000 in the first half of this year.

This indicates a tremendous and successful drive for business this year, an inference which is confirmed by the new business which has been written in the first half.

New annualised premiums, which exclude single premiums and annuities, reached a record peak of R22 800 000, compared with the previous record figure of R15-million which was attained in the first half of last year.

In addition single premiums and annuities brought in R16 500 000 compared with R13 100 000 for the period to June 1979.

Mr Donald Gordon, the chairman, told Business Mail that the new business written was not a reflection of the improved economic environment.

He said that Liberty Life's performance represented deeper market penetration as a result of a sophisticated marketing operation.

He was very pleased with the increase in new business written as well as with the group's investment performance.

Investment income for the half year had gone up from R28 402 000 to R37 415 000 — this reflected the better economic climate because dividends on equities had been sharply increased and income generated from property investments was also higher.

The net taxed surplus rose from R6 731 000 to R7 714 000 but, because of the impracticability of doing a full actuarial valuation at the half year, this figure is an estimate based on the results achieved during the financial year to December 1979.

Earnings a share on this basis are calculated at 69c against 60c last June and 133,65c for the full financial year. The current interim dividend is covered 1,38 times.

Based on the last two dividends at last night's share price, the yield is 5,1%.

Liberty Holdings interim up

(58) RDM: 21/9/80

By HAROLD FRIDJHON

LIBERTY Holdings, which has a 25% interest in Guardian Assurance, 81% in Liberty Life and 65% in Guardbank Management, and wholly owns Rapp & Maister and Glicor, has declared an interim dividend for the half year to June 1980 of 9c a share against 7,5c ~~last year~~.

Last year the company paid 19,5c. The directors forecast that this year total dividends should be about 22,5c.

On a basis of last year's final and this year's interim — 21c — at last night's market price the yield is 5,3%.

Taxed profit of Liberty Holdings was R8 987 000 compared with R7 716 000 for the first half of 1979.

Attributable profit after prefs was R6 684 000, against R5 532 000 which is an equivalent to earnings of 15,05c against 12,49c.

No decision yet on prescribed investments

58

Cit 21/9/80

NO recommendations have been made and no decisions taken on the future of prescribed investment requirements for South African financial institutions, Finance Minister, Senator Owen Horwood said yesterday.

Commenting on speculation that prescribed investments for insurance companies, pension funds and other financial institutions are to be abolished soon Senator Horwood said speculation was totally unfounded.

The role of prescribed investments was being investigated by the De Kock Commisson and any proposals on this would form part of the package of recommendations in its final report, which is not expected until early 1981.

Senator Horwood said since the Reserve Bank governor was due to present his annual address to stockholders next week he did not want to comment now on interest rates or any other details of monetary policy discussed by the committee for financial policy and strategy.

He said the committee, which comprises mainly senior Reserve Bank and Treasury officials, had met twice last week under his chairmanship for in-depth discussions of present economic conditions and policies. — Reuter.

Monetary problem answers mooted

58 RDM 22/9/80.

By HAROLD FRIDJHON

SOME of South Africa's monetary problems which were mentioned by Senator Owen Horwood when he addressed the Natal Congress of the Nationalist Party this week could largely be solved by a higher exchange rate for the rand and by greater use of the forward exchange mechanism.

This is the view of a banking economist who was commenting on the Minister defining as major problem areas:

- Undue fluctuations in the board money supply;
- The liquidity overhang;
- The distorted interest rate structure; and
- The resultant abnormal increase in borrowing and lending outside the banking system.

Senator Horwood was discussing these problems when he was talking about the money supply.

Although South Africa had not yet adopted the practice of publishing official targets for the rate of increase in money supply, he had said in his Budget speech that a rate of increase somewhat below the rate of inflation would not be unreasonable.

This was still his view, and as inflation was running at a rate of about 14% this implied a target rate of increase for the broad money supply of not more than about 10% to 12% for 1980.

"Viewed in this light," he said," the increase of more than 20% in the broad money supply during the year ended June 1980 is clearly excessive and must be reduced substantially in the period ahead."

The De Kock Comission, which will not report until early next year, is at present studying ways and means of controlling money supply which Senator Horwood viewed as an essential ingredient in sustaining a high rate of real economic growth while at the same time preventing the development of general demand inflation.

The bank economist, discussing the four problems mentioned by the Minister, said that by the very nature of the South African econmomy smoothing out the undue fluctuations in the broad money supply would not be easy.

In the first place, while the gold price remains at its present levels, there were the very large monthly accruals of receipts from gold.

This money remained in the system and was only mopped up by tax at intermittent periods.

Another factor which distorted the flow of money was the receipts of agricultural crops like maize and sugar which raised large seasonal inflows.

There were other factors, too, which were peculiar to this country and were part and parcel of its normal economic rhythm.

But the liquidity overhang and its concommitant distortion of interest rates could be eased out if the exchange rate of the rand were allowed to rise to a more realistic level and if the authorities were to handle the foreign exchange market with a little more sensitivity.

For example yesterday the rand gained five points in early morning trading then suddenly in the afternoon it dropped 12 points. No one in the market could see any reason for the wide movement of the currency, but nonetheless it happened.

In spite of the increase in imports on present balance of payments criteria the rand should be higher than $1,31/32. People have forgotten, he said, that five years ago the rate was $1,40.

Of course a higher rand would be unfavourable to exporters but the resultant decrease in the number of rand earned would ease the overall liquidity position slightly and this would be to everyone's benefit.

The economist took the view that a high rand/dollar rate would force exporters to work for greater efficiencies in their operations so as to make their goods more competitive in world markets.

He pointed out that the exporting countries with the hardest currencies were those which had the lowest inflation rates while those who had taken refuge behind soft currencies were not only losing their shares of world markets but were also experiencing wild inflation rates.

On the question of using the forward exchange premiums as a tool for liquidity control, he pointed out that in April/May of this year by encouraging traders to finance their transactions through the rand instead of through other currencies, the Reserve Bank had allowed many millions, some say billions, of rands to flow out of the country, thereby easing internal hyper-liquidity.

Suddenly the Reserve Bank changed policy and the forward premium/discount resulted in a switch from onshore to offshore financing with the ultimate result of increasing local liquidity, an event which was exaggerated as the return flow of former financing started to come in.

In recent weeks, the Reserve Bank has changed policy again, but this time they have forbidden South African financing of third party transactions; the rand financing can only apply to direct deals between South Africans and foreigners.

But the relaxation is already making an impact on the local scene. Some 50% to 60% of new transactions being negotiated are rand-financed.

The economist is critical of Reserve Bank policy. He says that the authorities in Pretoria do not appear to be certain of how to handle this tool of control. If it is used sensitively with an awareness of market forces it could help to tap of much of the liquidity which is presently creating problems.

He said that he would be very interested in seeing De Kock Commission recommendations for controlling, by market means, the borrowing and lending which takes place outside the banking sector. If rates are pushed too high as a means of control, this would only lead to a flourishing grey market and that would be impossible to control.

Business Mail

Mining

Finance

Commerce

Industry

The JSE gets its first pure pyramid

58

RDM 23/9/80

By DAVID CARTE
Deputy Financial Editor

FRASCON, the new company which comes to the lists on October 6, holding, as its only asset, a 50% stake in Frasers the R162-million-a-year trading chain, will be the first pure pyramid to be listed on the the Johannesburg Stock Exchange in 12 years.

But even though other semi-pyramids launched recently, such as Altron and Waltcor have been required to purchase other assets, the new flotation does not represent a change in JSE policy, says Mr Doug Gair, head of the JSE Listings Committee

Even though pyramids and paper empires have been implicitly frowned upon by the financial community in recent years and no other pure pyramids have been launched since the dizzy days of 1968 and 1969, he says, the JSE has never outlawed them.

According to Mr Gair, the JSE committee completed an exhaustive investigation into pyramids and their recent history on the JSE just before it gave the go-ahead to Frascon

It found that no pyramid had failed or been abused on the JSE during the period of the investigation

But Mr Gair stressed that the JSE would definitely not permit "second pyramids" — pyramids on top of pyramids.

Brokers have inferred that the JSE's latest ruling frees both Altron and Waltcor from their obligations to have 25% of their assets in interests other than Altech and W & A Investments

Market watchers said the main advantage of the Frasers pyramid was that it would secure control for the major holders, who were badly shaken when the Frame Group made a bid for control of Frasers from Frasers holders in London

They would have more than 50% of Frascon, and Frascon's 50% of Frasers would make their position unassailable.

Other advantages of the pyramid were that it would make Frasers more marketable and facilitate the raising of capital in the future.

Merchant bankers and market analysts said most of the advantages in pyramids tended to accrue to the controllers, rather than to minorities

The main disadvantage, they said was that in blocking potential bids for companies, especially to minorities the pyramid interfered with a free market

And once controllers were secure, they often tended to become complacent

"Show me a company where control is secure and I'll show you a company with a lassez faire attitude to minorities," said one cynical broker

Because they no longer needed such large stakes to control bottom companies, controllers were often left free by the formation of pyramids to take profits on their holdings and to deal in their shares on the strength of inside information

Pyramids, especially when allowed to proliferate and to develop into complex spider webs of control, tended to complicate monitoring companies and their prices and this put non-professional investors at a disadvantage. They also tended to encourage speculation

Another disadvantage for minorities in bottom companies was that when bids did come, they were generally for the pyramids, rather than for the operating companies

A bitterly cited example was the takeover of Greatermans via its pyramid, Gresham. Greatermans minorities were left out in the cold and ever since, top companies have tended to be preferred on the JSE and have traded at lower yields than underlying companies

Another reason pyramids were regarded negatively was that when controllers made particularly attractive acquisitions, they tended to put these into the pyramids, where their stake was bigger, rather than into operating companies, where their stake would be diluted

Cap issue

59

RDM 23/9/80

Deputy Financial Editor

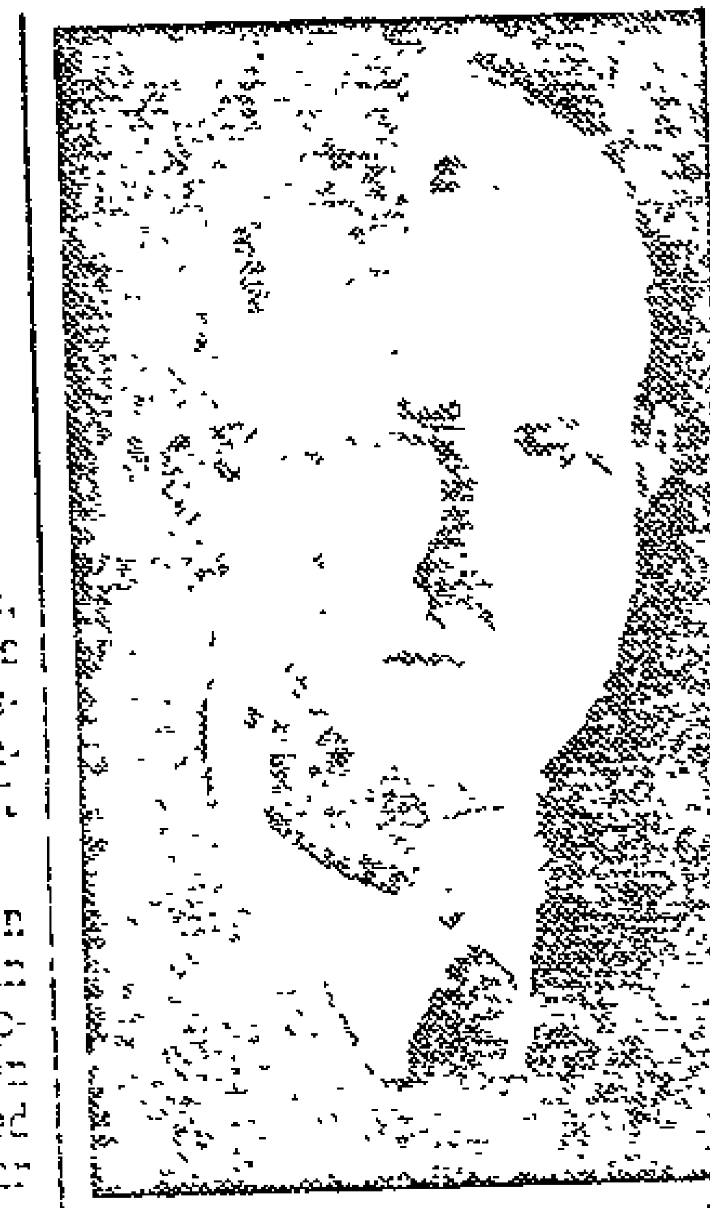
BEFORE launching Frascon, its pyramid, Frasers is to have a one-for-two capitalisation issue, which will raise the number of shares in issue by 50% from 9 500 000 to 14 250 000.

Commenting on trading in the current year, the chairman of Frasers, Mr Donald Campbell said conditions had been buoyant and forecasted taxed profit of R7 200 000 in the year to end September, compared to R5 857 000 in 1979 — a 23% increase.

This suggests earnings of 75c before the cap issue, compared to 61c last year.

The earnings forecast is equivalent to 50c a share after the capitalisation issue, compared to roughly 40c on an adjusted basis

Mr Campbell says Frasers intends paying a final dividend of 10c on the increased share capital, compared to an adjusted 8c. Frasers interim dividend was 11c on the smaller number of shares in issue so the total payout for the year will be 21c



Mr David Small, managing director of John Dewar & Sons, is visiting South Africa to look at the prospects for the expansion of Dewar's business in South Africa.

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2/9/80 ARGUS

Building suppliers to expand

58

MAJOR developments are planned by two companies supplying the building industry.

Cullinan Holdings is to increase its building brick capacity by 30 percent to meet heavy demand. Output almost doubled last year, says the chairman, Mr Neil Cullinan.

Earnings of 120c (95c) and dividends of 34c (27c) are forecast for the current year.

Masonite is to boost the capacity of its hardboard factory by at least 50 percent after the complete sale of total production in the year to June.

The expansion is being financed by the company's strong cash position, say the directors.

Exports earned more than R2,25-million in foreign exchange to bring pre-tax profits to R4,9-million.

- **Gypsum Industries** is paying a final dividend of 45c, up 80 percent on last year's 25c, taking the total to 75c (40c). Taxed profit jumped to R2,4-million from R1,1-million.

- Lower margins arising from non-recurring concessions granted to regain lost market share pushed down pre-tax profit of clothing manufacturer Veka from R238 000 to R109 000 in the six month to June.

Preference dividends for the period, with all arrear preference payments, will be paid on October 31.

- **Micor Holdings** has sufficient under-utilised gearing capacity to enable

Investment in SA up R700m since early 1979

STAR 25/9/80

58

LONDON — Direct foreign investment in South Africa through the financial rand has totalled R700-m since early 1979, the Finance Minister, Senator Owen Horwood, has revealed here.

By John Cavill, Financial Correspondent

It had by far outweighed disinvestment by overseas companies — such as Bridon, International Telephone and Telegraph, Asea, GEC and Racal — selling their interests to South African companies.

Senator Horwood, speaking at a Press conference at the end of this three-day visit to London yesterday also said the commercial rand's value against other currencies should continue to rise.

"We must expect a further increase," he said. "It helps with our anti-inflationary efforts and cheapens imports, although it does make difficulties for some exporters.

"We can expect to see the commercial rand appreciating for some time."

Senator Horwood refuted suggestions that the wide fluctuations in the financial rand discount (which has ranged between nine percent and 40 percent this year) indicated heavy disinvestment by overseas interests.

"There has been significant investment through the financial rand — in total so far it has been R700-million, most of it equity investment," he said.

"It (the demand) was bound to ease off. But I don't think there has been any particular wave of disinvestment.

"On the contrary the tendency has been the other way — apart from these few cases."

Dr Gerhard de Kock, senior Deputy Governor of the Reserve Bank, who takes over as Governor in January, said the new rules on investment through the financial rand had paid off handsomely for firms such as Volkswagen and BMW.

"They were able to invest at a substantial discount, car sales are 50 percent up, and they can now remit their dividends at the commercial rand rate which has gone up," he said.

Senator Horwood said South Africa was "committed to a reduction of exchange controls" and he hoped for a narrowing of the financial rand discount which could ultimately lead to a unitary foreign exchange policy.

"We would like to go further on exchange controls. We have to do this gradually, but we are reasonably committed," he said.

The Star Thursday Septem[ber]

Star 25/9/80

Row over US bank loan to SA Government

The Star Bureau

WASHINGTON — A row is brewing after yesterday's disclosure that a major American bank is participating in an international R225 million loan to the South African Government.

The participants include Dresdner Bank of Germany, Barclays Bank of Great Britain, Union Bank of Switzerland, and Citibank — owned by Citicorp, the United States' largest financial holding company.

Two years ago, Citicorp told its shareholders that it would no longer make direct loans to the South African Government.

IMPROVEMENT

Citicorp's decision to resume lending to South Africa is a sign that the financial community already perceives an improvement in South Africa's image internationally," according to the Washington Post.

While this almost certainly means an increase in American bank lending to South Africa, the loan will revive the campaign to limit American economic involvement in South Africa.

A spokesman for the sub-House Africa committee, which leans strongly towards legal limits on investment in South Africa, said yesterday the committee was examining the situation with "concerned interest."

William Howard, president of the National Council of Churches, which campaigns against economic ties with South Africa, predicted a "chorus of opposition" from churches, universities, unions, Congressional leaders and institutional investors.

"The money will be used for black schools and housing in South Africa, Citicorp said: "We said we would participate in loans that we determine would have a beneficial effect for all South Africans. This loan fits that category."

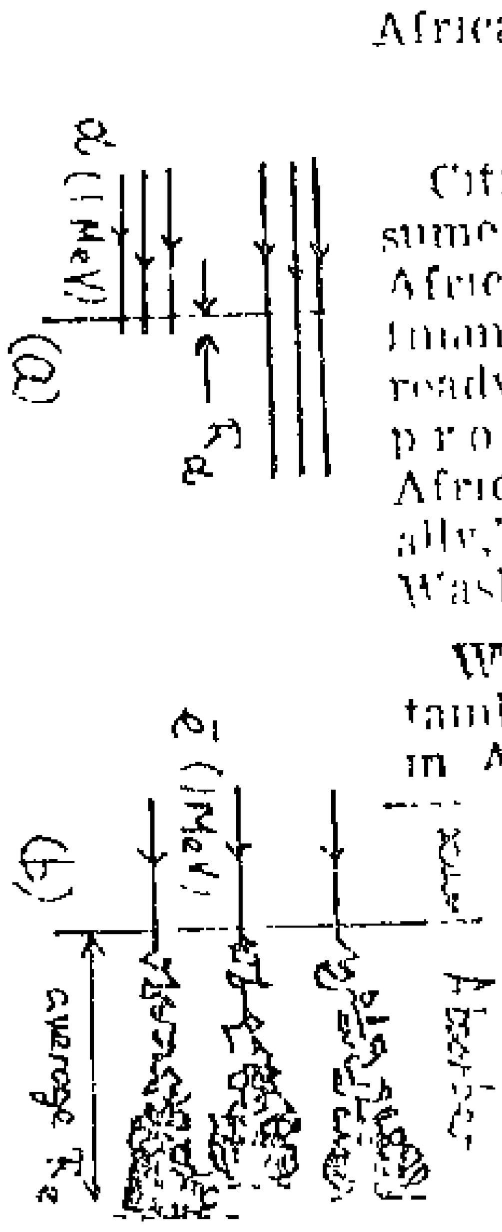


Fig. 24

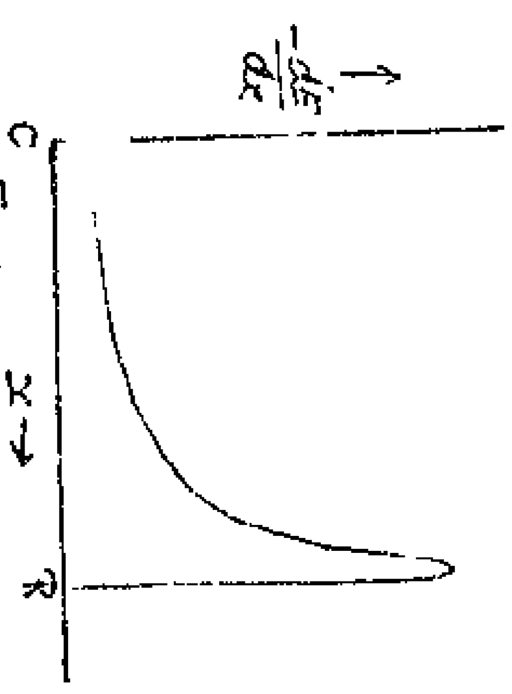
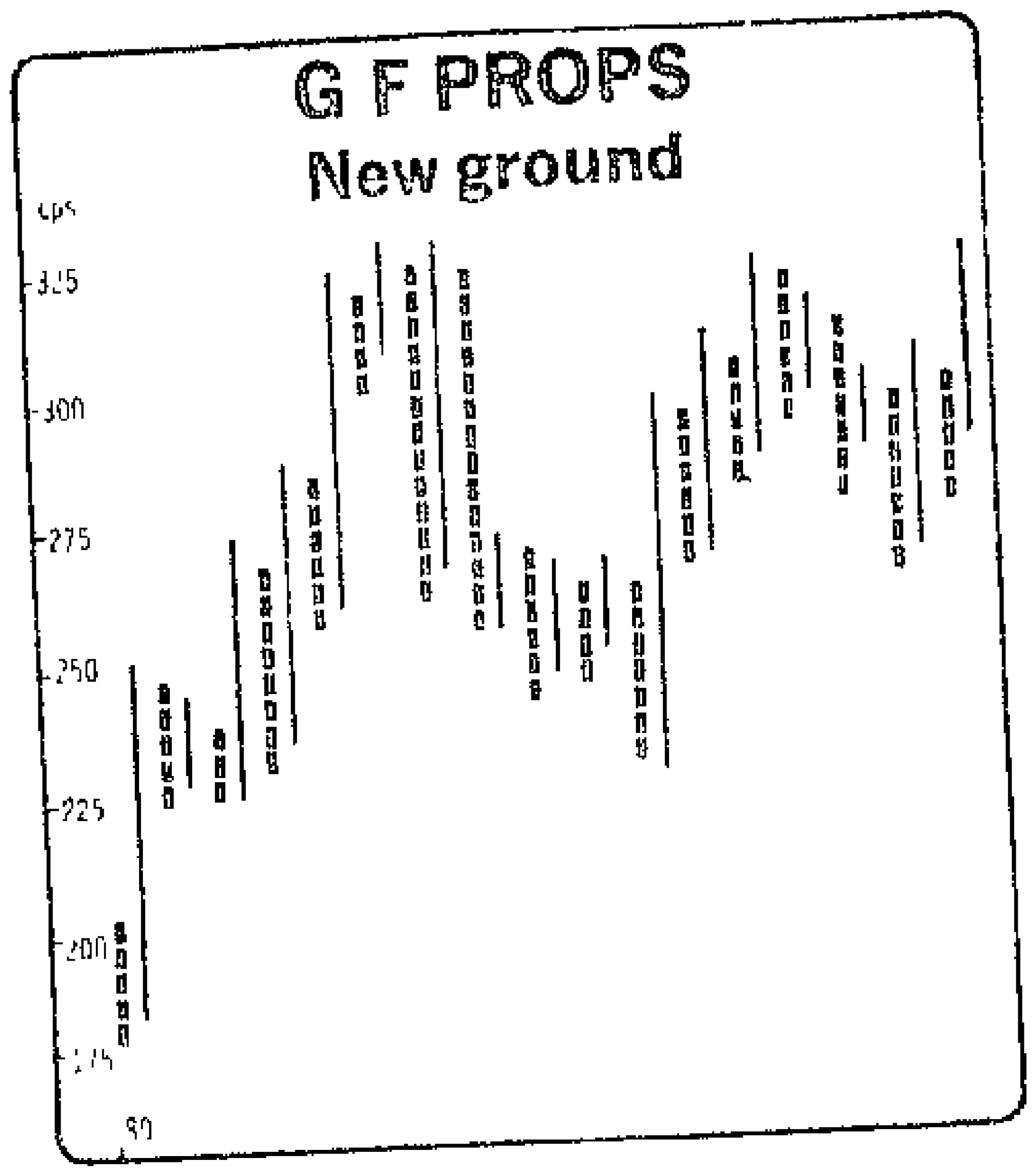


Fig 25



GF PROPS

Investments pay

53

FM 26/9/80

Activities: *Property and investment company owned 43,7% by GFSA. Owns Luipaardsvlei dumps and Sub Nigel mine and has 25% share in profits generated by WR Cons from Luipaardsvlei mine.*
Chairman: *A M D Gnodde.*
Capital structure: *10,2m ordinaries of 2,5c. Market capitalisation. R35,2m*
Financial: *Year to June 30 1980. Borrowings: long- and medium-term, R4,2m. Net cash. R1,8m. Current ratio: 1,5 Group cash flow: R2,0m. Capital commitments: R649 000*
Share market: *Price: 345c (1979-80: high, 345c, low, 105c; trading volume last quarter, 302 000 shares). Yields: 5,6% on earnings 2,9% on dividend. Cover: 1,9 PE ratio: 18.*

	'77	'78	'79	'80
Turnover (Rm)	6,1	4,9	5,0	6,1
Pre-tax profit (Rm)	2,4	1,2	1,5	2,6
Earnings (c)	10,5	6,9	10,0	19,2
Dividends (c)	8	5	6	10
Net asset value (c)	126	132	188	252

Growing property demand and a strong gold price augur well for Gold Fields Property Company this year. Chairman Dru Gnodde, however, remains conservative in his forecast that the company should be able "to consider a further slight increase" in dividends.

The total payout was lifted 67% to 10c (6c) on earnings of 19,2c (10c) last year following a substantial increase in rental and dividend income. Rents rose to R2m (R1,5m), while investment income tripled to R636 000 (R204 000). Profit on property sales increased to R582 000 (R298 000), but other revenue sources were little changed.

In 1978, GF Props sold its mining rights on Luipaardsvlei to WR Cons for R3m plus 25% of the pre-tax profit generated from mining the uranium-bearing Bird Reef. Last year's operations on the Bird Reef contributed nothing, but Gnodde says a positive cash flow should be possible by end-June 1981.

The net working profit from operations on Luipaardsvlei was R1,7m, of which R1,3m was earned in the June quarter. But previous losses and capex meant an overall R4,5m loss which has to be matched by profit before GF Props receives any contribution.

Though this year might see only a small contribution to earnings, 1981-82 could see WR Cons becoming a major income source. In line with last year's performance by WR Cons, and after taking into account losses still to be absorbed, a minimum contribution pre-tax of R400 000 should accrue this year — equivalent to some 2,5c a share after tax. This is, of course, dependent on WR Cons' uranium contracts and the gold price. In the June quarter WR Cons reported a loss on gold operations as a result of high costs and low-grade deposits.

This year, GF Props' property activities should benefit from the sale of townhouse developments in Sandton and Durban, as well as of further industrial/commercial sites. In addition, rental income seems set for another increase as the property market firms and the group's returns improve.

A major bull factor is the group's investment portfolio which was expanded as a result of the R3m received for the Luipaardsvlei mining title. At end-June the listed portfolio was worth R13m (R6,7m) at market value, and by now it should have appreciated to some R19m with the latest advance in gold share prices. After the recent high gold dividend declarations, the group's holdings in gold mines and GFSA should produce a higher dividend income in 1980-81. The 250 000 Sasol shares purchased during the year should add some R55 000 to investment income this year (R32 500).

Still in the wings are GF Props' sand dumps and slimes dams. Gnodde says prospects look only marginal at this stage, but better extraction methods are being investigated. The group has some 70 Mt in dumps and dams at Luipaardsvlei and Sub Nigel, but it appears unlikely there will be any near-term announcement. Future developments on the East Rand include the possibility of some tie-up with Vlaks for recovery of gold from some 30 Mt slimes and sands.

Vlaks itself is investigating the prospects for treating its material with that of its neighbours. Basing GF Props' net worth on the current market value of its portfolio, the share price represents only a small premium of about 7%. And this places no value on the WR Cons arrangement or the dumps and dams. On income grounds, the share looks fairly expensive near-term, but the gearing to the gold price and the speculative appeal of the dumps could add further impetus.

Des Kilalea

BUSINESS

STAR 27/9/80 68

This week on the JSE

Heavy profit-taking dents gold shares

By Jean Moon

Traditionally gold feeds and flourishes on bad news, and the worse the news becomes, the further the gold price climbs.

But this week has proved to be the exception. As the conflict between Iraq and Iran hotted up the gold price moved up above 700 dollars, to reach its highest level for a few months. But as the battle progressed, and fears of an oil cut off became ever more likely, the price of gold began to falter. News that the spot price for oil was creeping up, just seemed to deflate it even further.

Gold shares followed doggedly behind bullion. Prices surged ahead on Monday, and even on Tuesday, there were still plenty of buyers around, both here and overseas. But by Wednesday, heavy profit taking began, both locally and from abroad.

Some of the profits had been amassed in just a few days.

As for the immediate future of gold, no one seems to be prepared to make a stand.

The industrial market continued to sicken. Although it is still in a long term bull trend, short term indications do not look particularly encouraging.

But any significant reduction in prices is bound to bring out the institutions, who for the past few months, have been unable to place money in desired corners of the market.

Apart from the fishing, share results others have been highly encouraging. Abercom expects to pay a 28c total dividend for the year, and Sasol's payment results of both Altech and might reach 18,5c.

As was anticipated the Powertech were excellent. But excellence in the Altron stable of shares has become quite commonplace.

The building boom has received plenty of publicity this week, but building shares didn't really act as one might have expected.

Investment By DEREK TOMMEY

Caution over Trust Bank shares justified

4/10/80 ARGUS

58

DR F J DU PLESSIS, chairman of the Trust Bank, came in for considerable criticism a few weeks ago when he declared that the price of Trust Bank shares was 'entirely unjustifiable.'

At the time Dr du Plessis made his remarks the shares were standing at just below 200c. After his warning they dropped to a low of around 140c and have since remained around this level.

Dr du Plessis's remarks came as a shock to the market as everything indicated that Trust Bank was doing exceptionally well. This, in fact, has been confirmed by the annual report issued this week, which shows that profits in the 12 months ended June rose almost four times from R3,2-million to R12,3-million.

NEW BRANCHES

In the same period group assets rose 21 percent to R1 764-million, while acceptance creditors increased from R42-million to R120-million.

The bank has also opened 63 new branches and all in all it seems well placed to increase its business and profits greatly in the next few years.

However, there are some facts and figures in the annual report that suggest that perhaps Dr du Plessis had some justification for cautioning investors against expecting too much from the company at this stage.

He reports that the bank still has 'fundamental problems' with its property portfolio and that it will be some time before this ceases having an adverse effect upon the bank's profits.

DIVIDENDS

He points out that there is a continued need to build up the bank's reserves. Consequently, it is necessary to plough back profits and it is therefore unlikely that any dividends will be paid before 1985.

But another reason for treating Trust Bank shares with caution is the bank's capital structure. When it was in trouble in the mid-1970s it raised R25-million by the issue of convertible preference shares.

It raised another R25-million in the same way last year.

Both lots of preference shares will be converted into ordinary shares in 1985 and this will enlarge Trust Bank's ordinary issued share capital from 50,6-million to a whopping 133-million shares.

9c A SHARE

On a share capital of this size last year's earnings are peanuts, amounting to about 9c a share, out of which the company, if it had not to build up its reserves, could probably afford to pay a dividend of only 3c a share.

This would justify a price for Trust Bank shares of not much more than 60c or perhaps 75c at the outside. And as Trust Bank is not paying a dividend, even 60c could be considered in some cases a high price for the share.

If these are the sort of figures Dr du Plessis has in mind, his concern about the high level of the share price is understandable. Nonetheless, the market could well be justified in taking a more optimistic view.

For the investor who wants to buy low and sell high what really matters is what sort of dividends Trust Bank will pay in 1985 when these are resumed.

It is clear from Dr du Plessis's remarks that a continued improvement in the business climate could greatly reduce the burden imposed on the company by the property portfolio.

In fact, with Cabinet Ministers forecasting that building costs will double in three years, it cannot be too long before Trust Bank's property starts producing revenue.

PROFIT GROWTH

This development, coupled with some above-average growth in bank profits could considerably increase Trust Bank's earnings by 1985.

While this is not a certainty, but only a possibility, many people are prepared to take a chance on it, and this accounts for the current interest in the shares.

They may end up with profits or with losses, but taking a view is the essence of share investment.

PREFS

Some readers have asked about the merits of investing in preference shares, in which there is still a substantial trade on the Johannesburg Stock Exchange.

The advantage of investing in them is that you get a slightly higher return than you would from an investment in fixed deposits.

Good quality preference shares are giving a return of between 10 percent and 11 percent, which is pretty competitive.

Another advantage is that one-third of their dividends are exempt from tax.

cont

SUED BY THE DEPARTMENT OF FOREIGN AFFAIRS AND
ORMATION AT THE REQUEST OF THE CHAIRMAN OF THE
MITTEE FOR ECONOMIC AFFAIRS OF THE PRESIDENT'S
JNCIL

MR CHAIRMAN, AS OF NOW WE EXPERIENCE A GROWTH
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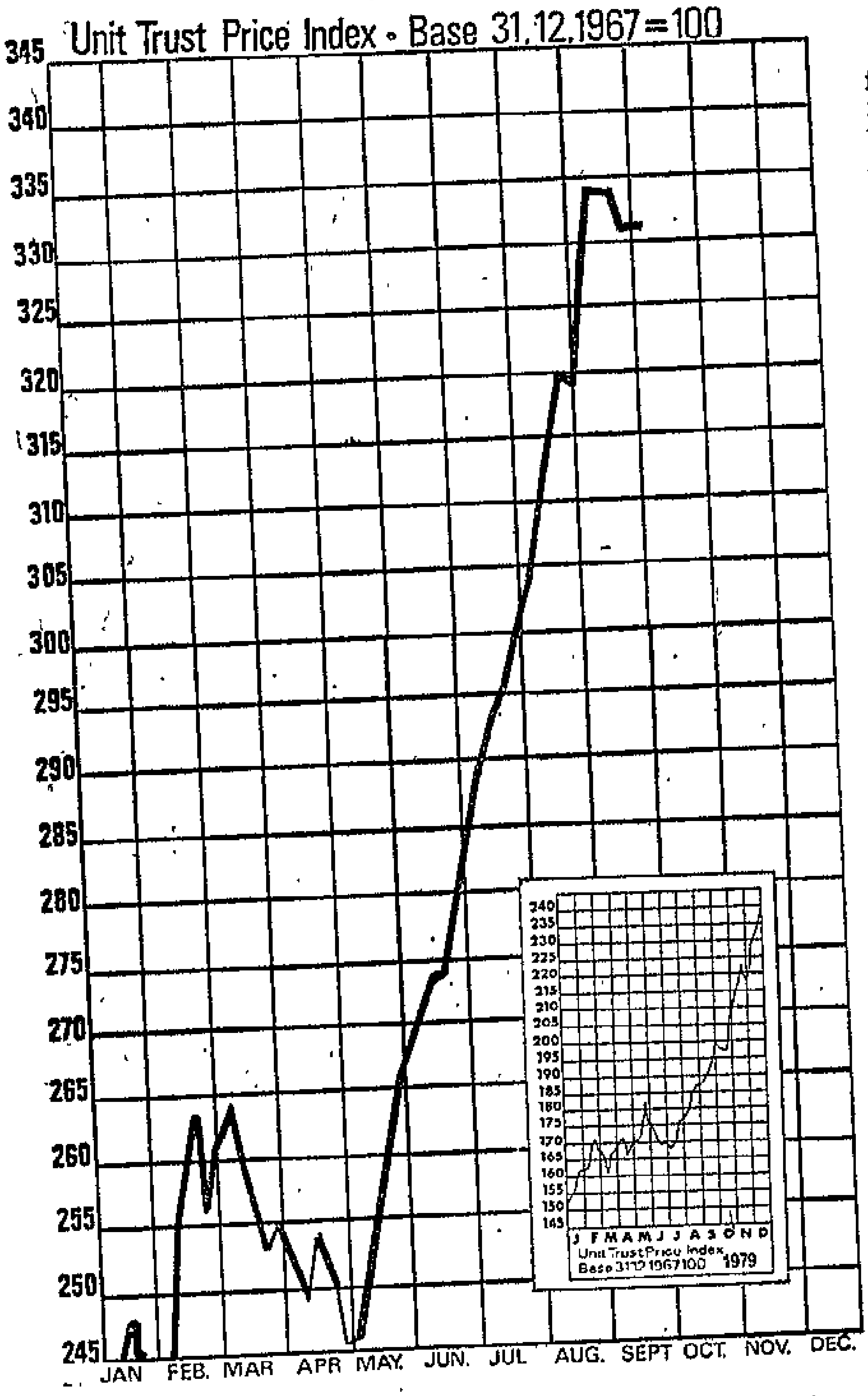

THE ARGUS unit trust index fell 0,20 of a point to 330,50 points this week.

A disadvantage of preference share investment is that the market value of the shares fluctuates inversely to movements in interest rates. As a result the price will fall if interest rates rise.

This does not matter if you don't have to sell your preference shares, but it could be a major consideration if you may need to convert your shares to cash in the near future.

With interest rates more likely to rise than fall, this doesn't seem the best time to buy preference shares.

But by early next year interest rates should be approaching their peaks so the investor would then get a higher return on his money and also the prospect of capital profits when interest rates start falling.

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GOVERNMENT MAY TAKE HEAT OUT OF BOOM

8/10/80
ARGUS
58

Financial Editor

SPECULATION is growing in business and economic circles that the Government could soon announce major changes in economic policy aimed at taking some of the heat out of the boom and so prolong its duration.

Government spokesman have recently made it clear that they are increasingly concerned about the continued high rate of inflation.

A little while ago the monetary authorities were attributing most of th e price increases to 'bottle-neck' inflation, implying that prices would right themselves given enough time.

But it has not gone unnoticed that in the past few days both the Minister of Finance, Senator O P F Horwood, and the governor-elect of the Reserve Bank, Dr Gerhard de Kock, have suddenly started blaming the high prices on strongly rising demand inflation.

TOO MUCH MONEY

This reference to demand inflation suggests that they believe a situation is beginning to exist where too much money is chasing too few goods. The inference is all too plain that steps must be taken to curb spending.

But it is probably not just the high rate of inflation thas is causing the Government to rethink its economic policies. There have also been a number of other developments lately that have made a reappraisal vitally necessary.

A year ago the continued sluggishness of the economy and the high rate of black unemployment left the Government with no other course than to go all out for growth.

This policy has proved to be highly successful. But with a serious and potentially crippling skilled labour shortage developing, some throttling back in the growth rate would appear to have become essential.

SLOWER RATE

Another development which is also probably requiring a change in policy is the continuing recession overseas. Foreign economists believe the recovery from the recession could be extremely slow.

This means that South Africa's export earnings are not likely to be as high as they would have been in more buoyant business conditions.

This is another indication that a slightly slower growth rate would be desirable so as to protect the balance of payments from undue pressure.

While most people appear to be in agreement on the need for policy changes there is considerable disagreement on what the Government is likely to do.

However, as a start it is widely believed that in a bid to mop up some of the inflationary surplus liquidity in the economy the Government may soon allow the banks and other financial institutions to invest their surplus cash overseas.

Both Senator Horwood and Dr de Kock referred to the possible easing of exchange control when they were in Washington at the annual meeting of the International Monetary Fund last week.

EXCANGE CONTROL

This move would be welcomed, provided there was no exchange risk. British and American interest rates are higher than they are in this country and it would help the banks increase their profits.

The outflow of money would contract the domestic money supply, possibly leading to higher short-term interest rates and less easy credit.

This could slow down economic activity and reduce pressure on prices. This could also lead to a hardening of long-term interest rates. But much would depend on the extent to which inflation was curtailed.

There have also been suggestions that the value of the rand may be raised. This would also have marrked deflationary effects.

OPPOSITION

However, there is considerable opposition to this as it would make South Africa's exports dearer. Moreover, with the world in recession, increasing tghe value of the rand would be undesirable at this stage.

Senator Horwood also suggested at the IMF that he favoured uniting the financial and commercial rands. A number of people believe the only way to achieve this is by merging the two rates — 94 cents (US) and 133 cents — at around 115 or 120 cents.

Thus there is a feeling that the exchange rate of the rand might fall before it rises.

All in all, the next few months could see some highly important policy changes emanating from the Reserve Bank and the Treasury.

SA GROWTH RATE PROBABLY WORLD'S BEST

13/10/80 News (58)

THE South African economy grew in real terms at an annual rate of 8,2 percent in the second quarter of this year, figures issued by the Department of Statistics show.

This growth rate was probably the highest in the world, surpassing even those being achieved in the highly successful developing countries in the Far East, such as Singapore, Taiwan and South Korea.

In the first quarter of the year the economy was growing in real terms at just below 7 percent at an annual rate.

For the first six months of the year the annual average growth rate was 7,0 percent. In the same period last year it was only about 2,5 percent.

LIVING STANDARD

For South Africans this upsurge in the economic growth rate means they can expect a real improvement in their standard of living.

In the three months ended June their net income a head in real terms was growing at an annual rate of just under 6 percent and for the first six months of this year the increase averaged 4,5 percent.

At this rate of increase living standards will double in about 15 years.

This increase in income was reflected in the large increase in salary and wage payments in the second quarter.

These totalled R7 008-million at current prices, an increase of 22,2 percent on the year-ago figure.

REMUNERATION

The remuneration of employees was running at an annual rate of R28 556-million in the second quarter compared with R23 384-million in the second quarter of last year.

However, along with the workers the owners of the country's factors of production are also benefiting, with their share rising by 54,9 percent in current terms from an annual rate of R18 108-million in the second quarter of last year to an annual rate of R28 345-million in the second quarter of this year.

With more money in their pockets South Africans have been on a spending spree.

Private consumption expenditure in the second quarter of the year was running at an annual rate of R30 250-million at current prices — an increase of 23,4 percent on the year-ago figure.

Biggest increase in spending compared with a year ago was on durable goods.

The increase here was 34,7 percent to an annual rate of R3 438-million.

Spending on semi-durables rose 22,3 percent to R5 239-million at an annual rate, while that on non-durables increased by 23,1 percent to R14 362-million.

Spending on services rose 20,2 percent to R7 241-million.

At the same time investment spending has also risen strongly, increasing 10,2 percent in real terms in the first half of this year.

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AF & OVR GETS BOOST FROM VELLA

15/10/80 ARGUS

58

AN R823 000 turnround by the loss-making Vella Sportswear subsidiary helped African and Overseas Enterprises to double its earnings to 87,53c from 44,72c a share for the year to June.

Vella made a net profit of R329 000 compared with last year's R494 000 loss, which included a R174 000 write-off of stocks.

It is not liable for tax this year and has accumulated tax losses of R384 000 to be set against future earnings.

African and Overseas Enterprises's chairman, [illegible] Vella's [illegible] very' followed [illegible] 27 per- cent rise [illegible] improved trading condi- tions, and demand for Hang Ten and Vella branded clothing.

31 PERCENT

The group's net profit jumped 31 percent to R2,2-million, compared with a 7 percent rise to R1,1-million last year.

The dividend is being raised 23 percent to 27c (22c).

The main subsidiary, Rex Trueform, contributed 67,08c to earnings and Vella contributed 13,19c.

Mr Shub for[illegible] another improvement [illegible] profit in the current year with both operating companies reporting a continuing upswing in demand.

Although the L'Uomo shirt manufacturer moved into a larger factory, retail demand still exceeds its capacity.

The group's work force increased by 533 to 4 837 over the year.

—Tom Hood

ISSUED BY THE DEP... AFFAIRS AND INFORMATION

AT THE REQUEST OF ... IONAL EDUCATION

31 OCTOBER 1980

PRETORIA

The 'Golden Sixties' here again—bank

20/10/80 Argus

58

SOUTH AFRICA is experiencing an economic boom that is expected to last at least until the end of next year, says the latest Standard Bank review on the economic outlook.

The review said that following a marked acceleration in economic activity over a broad front last year, the present economic upswing bore all the characteristics of a fully-fledged boom.

There were indications that economic growth would this year reach 7 percent — the kind of growth last realised in the 'golden '60s.'

While the demand was likely to remain strong throughout 1980, a deteriorating balance of trade position, as well as mounting problems in the production sector of the economy, could be expected to have an inhibiting effect on growth next year.

BRAKE ON GROWTH

The emergence of these issues, said the review, was largely hidden until recently by the high gold price as well as by the great deal of slack which had been created as a result of the past recession.

The major factors inhibiting a continued acceleration of the pace of the economy were likely to be:

- Acute shortage of skilled labour,
- Shortage of productive capacity and materials,
- Inflation of prices and wages,
- Pressure on the current account,
- Tightening financial conditions and rising interest rates.

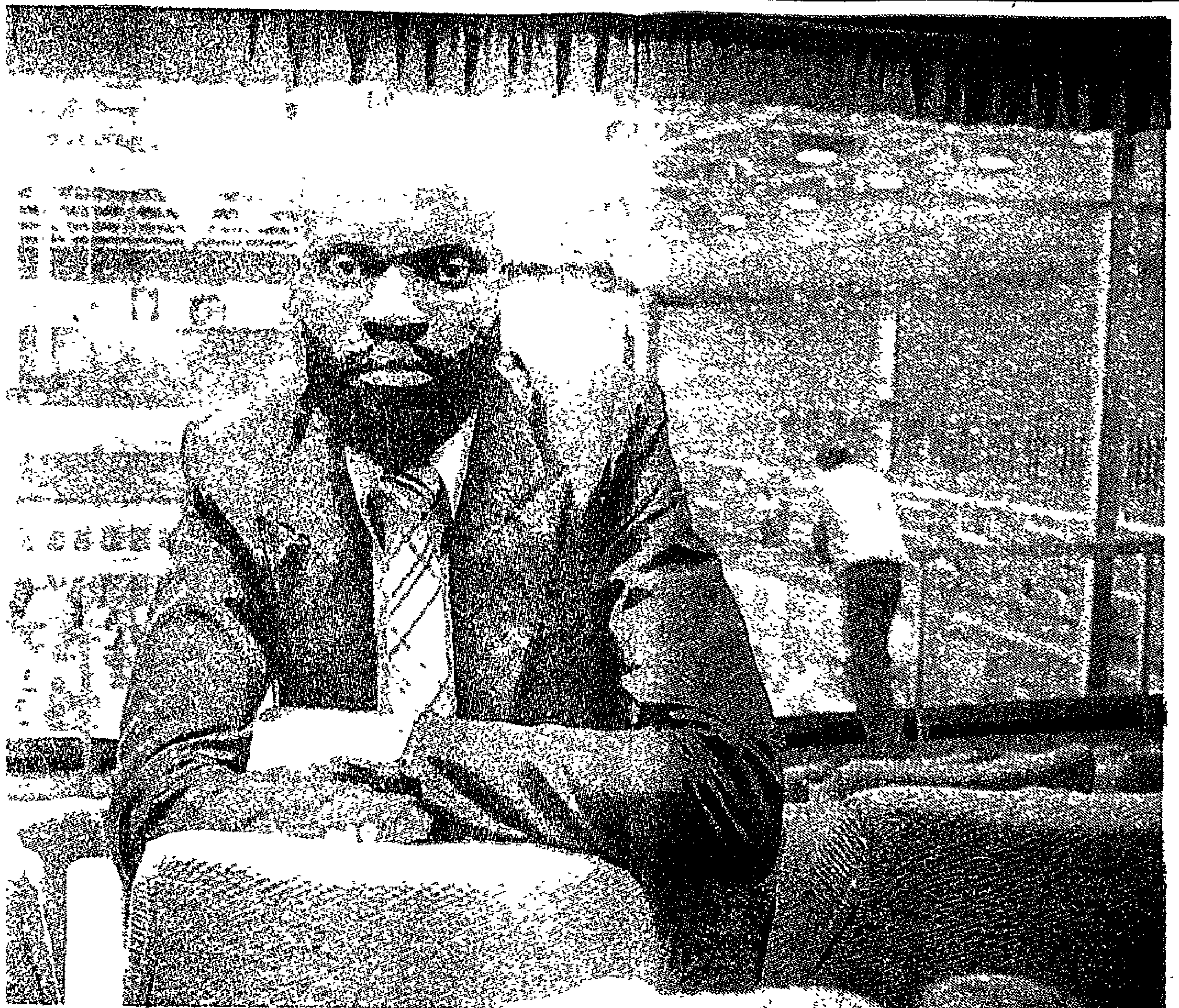
A combination of these factors indicated that it was likely that there would be some slowing from current high levels of growth during the second half of 1981.

But the GDP growth was still likely to be above five percent, which was comfortably higher than the average growth rate of the last decade.

HIGHER SALARIES

The review said: 'Government spending — mainly on salaries — must be expected to rise during the course of 1981 because of increased demands on the public sector resulting from the rapid growth rate.

'The official policy of limiting the public sector's expansion should keep expenditure growth down to around 2,7 percent in real terms, still well below the economy's overall growth rate.'



in the public gallery of the Johannesburg Stock Exchange. He is the JSE's only black icer and his task is to inform the black community about the institution.

Man who tells blacks all about share dealing

By J S MOJAPELO

THE Johannesburg Stock Exchange was an exclusively white institution until 1978, when Mr Moses Leoka of Soweto was appointed a public relations officer.

His brief is to sell the JSE to blacks.

Until I met Mr Leoka recently, my knowledge of the stock exchange, like that of most blacks, was nil.

But after spending some hours with him at the JSE building, I felt I was an expert in shares, stocks, securities and other aspects of the institution.

I also had not known before meeting him that the JSE — established in 1887 — was the only stock exchange in South Africa.

It is the biggest stock exchange in Africa.

Mr Leoka, tall and bearded but with a smooth Kojak head, is an avowed capitalist — and does not hide it.

When we first met, he emphasised that the "stock exchange plays a vital part in any capitalist economy. It provides a market where investors buy and sell shares.

While he was taking me round the JSE building and explaining the fundamentals of the operations, two white men standing near us overheard him. They complimented Mr Leoka on his knowledge of the mechanics of the stock exchange.

"My job is to sell the JSE to the black public," Mr Leoka told me. "I first educate them about the institution, what roles it plays in the community and the economy of the country, and how they can benefit from it."

As a public relations officer, he also has to explain the stock exchange concept to white visitors.

"Previously, many blacks knew little about the JSE," he said. "I think one of the reasons was that JSE did not educate people about itself. Many blacks who knew of it, thought it was open only to whites.

"It was only after my appointment that we embarked on an education campaign."

Mr Leoka said there were few black shareholders, because many blacks did not know there were no legal restrictions on them buying shares in companies listed by the JSE.

"Right now, we are in a boom economic period in the country. You would not be wrong to say that the stock exchange market boom is enjoyed by whites only because few blacks invest in shares," said Mr Leoka.

He explained that the JSE did not allow racial discrimination so far as share investment was concerned. Anyone could buy shares of any listed company.

There were signs now that blacks were becoming interested in the JSE. They visit the JSE buildings, inquire about investments, and form investment syndicates in the townships.

Mr Leoka predicts that as blacks become more sophisticated, more will be seen proudly waving share certificates and boasting of being shareholders in such companies as Anglo American.

"This will happen, firstly, because of our educational campaign in the black community," said Mr Leoka, " and secondly because it will be the normal course in the development pattern of the blacks in South Africa."

Mr Leoka's target groups at the moment are youth — high school and university students — black businessmen and professionals such as doctors, lawyers and teachers.

Black students are invited to the JSE building, given lectures, and asked to become involved in games and competitions organised by the JSE.

Lectures are given to businessmen and professionals throughout the country.

They are advised that there are some forms of investment which keep pace with inflation — for instance, Krugerrands, Persian rugs and fixed property.

Mr Leoka said: "When I sell the JSE, I am promoting the free enterprise system."

Many blacks, he said, liked to think of themselves as Marxists opposed to the free enterprise system — because they had come to associate it with apartheid.

"This is sad. I think the free enterprise system in its purest form is the best system in the world. No matter what other people might think, I always oppose the view that blacks are traditionally socialists," said Mr Leoka.

He adds, however, that blacks had previously rejected the free enterprise system because they had not been given a fair share in it.

Blacks did not have a deep understanding of socialism, but they thought it was better than the apartheid system, he said.

Mr Leoka, 30, worked first as a computer operator in Johannesburg, then went to the University of the North (Turfloop), where he obtained a Bachelor degree in 1976. He then worked as a personnel officer for the Delmas Milling Company.

Though he had no previous experience of public relations, he was appointed by JSE when it created the post in 1978.

Mr Leoka, who is married with one child, is an avid reader of newspapers and keeps fit by jogging. As one might have expected, in his spare time he is the secretary-treasurer of a Soweto investment syndicate.

Nedbank pays 38c dividend

Argus 22/10/80

(58)

NEDBANK is raising its final dividend by 46 percent to 27c (18,5c), making a total of 38c (27c) for the year to September.

Taxed profit was 43 percent higher at R67,4-million while operating profit jumped 38 percent to top R100-million after making transfers to internal reserves.

After the dividend payout, the bank group has a capital surplus of more than R50-million, which it says it will use 'to pursue a policy of vigorous growth.'

Total assets stand at R4 600-million, up 24 percent.

● The final dividend from **Pretoria Portland Cement** will be 33c, a 37 percent improvement on a year ago, taking the total to 47c (35c) for the year to September.

A strong turnround in the cement business helped to raise taxed profits by 64 percent to R35,3-million.

Group turnover of R177-million was 28 percent higher.

● **Finansbank** is paying R9,8-million cash to Tollgate Holdings for its instalment credit business run by Golden Arrow Finance Corporation, General Leasing Corporation and Macro Leasing International.

The sale will reduce earnings by around 6,5c a share to 61,7c and increase net asset value to 342,8c from 336c a share.

Tom Hood

Blacks turning from capitalism, says Anglo chief

NM 28/10/80

58

Financial Reporter

PRIVATE enterprise in South Africa is so trapped in a mesh of legislative restrictions and controls that it barely exists, Mr Dennis Etheredge, one of Anglo American's top executives, told builders attending their annual congress in Durban yesterday.

Delivering the congress' keynote address, Mr Etheredge said the tragedy of the situation was that blacks were turning against capitalism because they were trapped in an even greater legislative and regulatory morass than whites.

'Recent surveys have shown that they do not like capitalism,' he said, 'but the socialistic controls over every aspect of their lives prevent them from knowing what capitalism is.'

He said unless the Government took steps to dismantle the web of legislative restrictions and worked towards giving blacks meaningful participation in the system, the country would be heading for disaster.

While the Government had shown signs that it was prepared to act, and there were signs that things were improving from the White man's point of view, blacks generally felt that there had been little meaningful advance from the position of a few years ago.

Six-point plan

He proposed a six-point plan of action which would help towards bringing about a more equitable participation by blacks in the system:

* Pressure must be kept on Government to make the necessary changes to ensure a genuine free market situation for all races;
* More training must be done to enable blacks to take their place in society alongside whites;
* The development of small businesses and black entrepreneurs must be encouraged;
* Investment should be decentralised to rural areas where unemployment is often the greatest;
* Business should recognise its social responsibility in doing its share for the upliftment of blacks;
* Each individual should become involved in personally spreading the benefits of system so that everyone may prosper.

'Those restricions which prevent blacks from participating equally with whites in the market must go,' said Mr Etheredge.

'You cannot convince an employee that he is benefitting from the free enterprise system if he receives a wage that does not even provide for a minimum of a decent standard of living.'

Wage gap

He added that it would take time to close the wage gap but: 'If we keep wages low so that we can create as many jobs as possible, there must be two grave results: firstly we as an exporting country will not be able to keep pace with an increasingly competitive world and secondly, the free enterprise system will be rejected by black people and eventually overthrown.'

He added that it was in the interests of existing business to encourage the participation of black entrepreneurs.

'There will often be production units which in the hands of small businesses with few overheads can be done efficiently, more cheaply and with the creations of new capitalists.'

Finally, Mr Etheredge said that big business must do more to ease the burden of the country's less priviledged population groups.

'The face of capitalism is ugly enough in South Africa without making it more ugly by not using some shareholders' funds to contribute to educational, health and welfare needs.

Only answer

'The socialist experiment in many countries, especially in Africa, is perhaps the best evidence that capitalism with its emphasis on private ownership and enterprise and on generating wealth is the only answer to real economic growth.

'But if we wish to reduce the likelihood of capitalism being rejected here in the future, each one of us must become personally involved in spreading the benefits of the system to everyone to ensure the highest possible participation of our diverse peoples in entrepreneurship and a genuine free market economy.'

Pension funds threatened, says Sanlam chief

28/10/80 ARGUS

58

Argus Correspondent

JOHANNESBURG. — Because of escalating inflation, pension and insurance funds might soon be heading for bankruptcy, says the managing director of Sanlam, Dr Fred du Plessis.

At a conference on the economic prospects for 1981 organised by the SA Association of Business Management, he said for five consecutive years South Africa had had a negative real rate of interest.

With the rate of inflation higher than interest rates, investors showed a loss on their investment in real terms.

When the present growth rate of about 7.5 percent dropped to around five percent by the middle of next year, demand for capital would shrink and long-term interest rates would sink still further below the inflation rate level.

SPELT DOOM

At the same time, employment would grow more slowly.

This spelt doom for many funds, and their takeover by the State could be the only option left.

Dr du Plessis said the upsurge in demand that had created the present boom was highly artificial.

Export demand, in spite of the recession in overseas countries had been prompted by stockpiling. But stockpiling programmes would have been completed by the middle of next year.

Pent-up internal demand was still not satisfied and would continue for another nine months.

Around mid-1981 the economy would overheat and have to be switched off. It would then be back to square one, although on somewhat higher level.

Putco shares up 300 pc since break-up report

STAR 29/10/80 (58) ~~332~~ ~~332~~

By Tony Duigan and Geoff Shuttleworth

Speculators have driven up the price of Putco shares on the Johannesburg Stock Exchange by nearly 300 percent over the past two months following a report in The Star that the Government was to step in and order the break-up of the transport conglomerate.

The shares now stand at 380c, compared with the range of 130/140c during July.

Reports on the breakup of the company into four regional companies — a proposal put to Mr Albino Carleo, managing director of Putco, by the director general of the Department of Transport, Mr A B Eksteen — appeared in The Star last month and led to speculation that the Government might take a direct stake in Putco.

The transport giant, which moves one million passengers a day, is controlled by the Carleo family, which holds 54 percent of the shares.

Putco's net asset value — the theoretical breakup price of the company — is much higher than the JSE share price. The value is 1 826,5c per share — an increase of more than 700 percent in five years.

The Government's move to break up Putco is a result of the substantial amount of money the Department of Transport sinks into the company each year in the form of subsidies — R40-million this year alone.

The Government must protect the taxpayer's investment in Putco, Mr Eksteen said when he told The Star of his recommendation to the company that it break up.

Putco has yet to make a final decision on the proposals put by the Department of Transport.

FINANCE

CAPITAL GAINS TAX STILL ON THE CARDS

3/10/80 Argus

(58)

Financial Editor

IN SPITE OF numerous protests by organised commerce and industry, the Treasury has not dropped its idea of introducing a capital gains tax.

In fact it seems it is only a matter of time before the Treasury launches a campaign to convince Parliament and the business world of the advantages of a capital gains tax.

The Minister of Finance, Senator O P F Horwood, told a meeting in Pretoria recently that the Government was in no way committed to a possible tax on capital gains.

'Nevertheless, I believe a useful purpose can be served by having a public debate on the issue, as was the case with sales tax and the proposed taxation of fringe benefits,' he said.

RESOLVE ISSUE

But before the debate on a capital gains tax could start, it was first necessary to complete the last round of consultations on the fringe benefits tax issue, and to resolve that issue for the future.

The principles of the free enterprise system put no limits on the extent to which wealth could be acquired.

But this did not mean that wealth should be left strictly untouched by the fiscus if the object was to spread the tax burden evenly over the community.

TAX ON WEALTH

He was against a tax on wealth as such. But when enrichment took place, by the realisation of capital assets a new situation arose.

Consideration should be given to whether, and how, the realised gain should be taxed.

The Franszen commission recommended a 20 percent capital gains tax on gains arising from the disposal of marketable securities and fixed property.

NO DECISION

No final decision on this recommendation was ever taken, but the Standing Commission on Taxation Policy recently considered the matter and had made proposals.

Apart from a capital gains tax the Treasury was also likely in the future to investigate a change in income tax with tax levied on income earned outside South Africa's borders, especially in the homelands, a change in private company tax, and the levying of PAYE on dividends.

Banks plan new fee structure next year

30/10/80 ARGUS (58)

BANKS are now reaching finality on a new fee structure and it should come into operation early next year, says Mr Norman Axten, general manager, Barclays Bank.

FINANCE

He told students at the University of Cape Town Graduate School of Business that there would only be one flat fee in the new structure. People who used the banks most would be charged the fee.

The charge structure was due to have been changed last January but the day before it should have started the Registrar of Financial Institutions wanted changes made.

'It took a couple of years to get all banks to agree to changes in the original structure but the new structure should be finalised soon.'

Mr Axten said South African banks had more severe restrictions placed on their ability to lend money freely than banks in other countries.

One of the changes the De Kock commission wanted to instigate was to move away from the system where banks had to deposit 18 percent of loans with the Reserve Bank without interest.

Of R1-million deposited with a bank, only R420 000 could be lent out freely.

GOLD EXPORTS

The value of the country's gold exports now amounted to 50 percent of total exports. A big drop in the gold price would thus have an immediate effect on the balance of payments.

A rise or fall of one dollar in the gold price could make a difference of 20-million dollars (R15-million) to South Africa's earnings.

'If the gold price were to drop by 100 dollars, it would mean a fall of 2-billion dollars (R1.5-billion) in our earnings from gold.

'We are now more dependent on the gold cushion than a year ago but I do not see a collapse similar to the one that occurred five years ago.'

Blacks can contribute to the SA economy — Soweto bank boss

RDM 30/10/80

58

343

By J S MOJAPELO

MR Harry Lugojolo, the Standard Bank's first black manager in Soweto, regards his achievement in the banking world as proof that if blacks are given the chance they can make a meaningful contribution to the country's economy.

Mr Lugojolo, 47, father of five daughters, joined the bank as a clerk in 1963

On August 15, 1976, he was appointed the first black manager of a bank in Soweto. There are now two other black bank managers in Soweto.

"Undoubtedly, I enjoy banking. It is a career I would encourage black kids to follow. My success in the banking world is a challenging responsibility to me as a black man But it is proof that blacks can contribute in the country.

"Before joining the bank, I worked as a clerk on a part-time basis with the university clinic in Alexandra. My employers were reluctant to give me a testimonial when I told them I was leaving them for a new job. They thought I was too good to be released," Mr Lugojolo said.

In 1965, he was appointed a teller and was among the first blacks in the country to be promoted to that positiony.

"In those days, because of the political situation, it was difficult to get blacks graded as tellers in a bank. I was a teller at the Alexandra branch," Mr Lugojolo said.

Mr Lugojolo was appointed the first black marketing officer of the bank when the bank intensified its programme of social services in the communities it served.

During a trade fair in Soweto in 1975, Mr Lugojolo and a colleague — while manning the bank's stall at the fair — decided that there was a great need for a bank for the Soweto people

Mr Harry Lugojolo ... good career

"After the fair we compiled a report and spelt out the potential black market in Soweto," Mr Lugojolo said

Mr Lugojolo was suddenly "transferred" from Bramley to the bank's training school, with 12 other black clerks from various parts of Johannesburg, for a year of intensive training in all aspects of banking

After the training Mr Lugojolo was given a post at one of the bank's branches for a further six months of in-service training.

"I was deeply touched when on August 15, 1975, I was called to the general manager's office and given a letter of appointment as the first black manager in the whole bank I was later placed at the first Soweto branch," Mr Lugojolo said.

Standard Bank was the second bank to establish a branch in Soweto in 1975

When Mr Lugojolo took over as Soweto manager, he had a staff of 14. The present staff is 21.

At first, Mr Lugojolo had to contend with the belief among blacks that only the best service could be rendered by banks ran by whites.

"This has changed, and we are now being accepted as second to none," Mr Lugojolo said.

Fast growth in Transvaal helps Boland

31/10/80 PR cuts

(58)

SHARPLY increased business from the Transvaal, where Boland Bank opened three branches, helped to boost half-year profits by 27 percent to R2-million after tax.

The bank is planning to open more Transvaal branches because growth per branch is much higher than in the Cape country districts says the managing director, Mr Gert Liebenberg.

Earnings rose to 32,9c from 26,5c for the six months to September and shareholders are getting a 25 percent rise in interim dividend to 10c from 8c.

The results indicate that the bank made full use of the favourable economic climate and this trend should continue in the second half, say the directors.

Commenting on the results, Mr Liebenberg said the buoyant property market on the coast also contributed to the bank's higher earnings.

TOM HOOD

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…ting (by blacks) is intended to make the … of his historical and present position. … his attainment of "freedom". These …teristically pragmatic touch, and are …th the political ideals of the Bantu. …e is that of unmasking the "distortions and falsifications," "untruths" and "legends" of the historical writing of the White man. In the pages of those books, therefore, one finds much censure and "correction " ....

In these books by Bantu authors, no distinction is drawn between Boer and Briton, Conservative or Liberal - these all fall into the category of "white oppressors." The authors seem to be anti-everything - anti-British, anti-Boer and anti-Missionary. Their version has an economic basis: as they see it, there was first Boer feudalism with its slaves and retainers; then came the British urban capitalistic system -finally (a pinch of Marxist salt is added) the time will come when Bantu socialism will prevail. (emphasis mine throughout, ppl 52 - 3).

basis

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31/10/80

58

Problems on bonds for blacks

A FALL in the liquidity of building societies, plus an insatiable demand from both the black and white sectors, posed grave consequences for South Africa, a leading property specialist said in Cape Town last night.

Mr Sam Turecki, of SRE Real Estates said that the past 18 months had been 'golden' since there had been more than enough liquidity in building societies to meet all bond-applications.

'Now however, there are signs that this liquidity is starting to fall and the possibility of higher interest rates on mortgages is real.

'In view of these signs and in view of the fact that the demand for funds has already become almost insatiable, since it now emanates from both whites and blacks, I foresee grave consequences for this country particularly with respect to the black population.

Mr Turecki added. 'How are we to explain to them the unavalability of building society funds just at the time when they are at last in a position of require them?'

He appealed to the authorities to oblige life assurance and pension funds to pay money into building societies.

VENUE: ZIMASA HALL, LANGA

ADMISSION: 50c

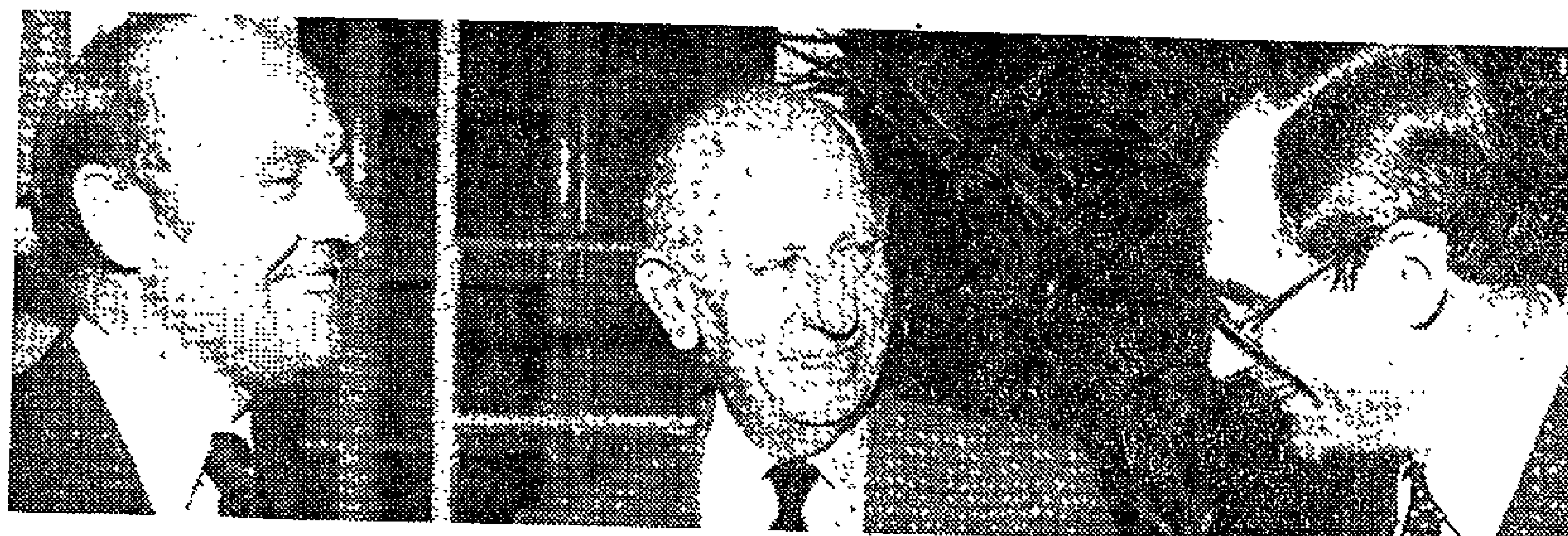
SA POISED FOR SURGE IN 80S, BANKER SAYS

58

1/11/80 Argus.

By Mervyn Harris

SOUTH AFRICA is well placed today to meet the strategic mineral requirements of the West, says Dr F J C Cronje, chairman of Nedbank and Union Acceptances Limited.



TOP BUSINESSMEN attended a party in Cape Town this week to celebrate the 25th anniversary of Union Acceptances Limited. From left are: Mr A A Ross, general manager, UAL; Mr F H Kossuth, financial director, Woolworths, and Mr G Richardson, deputy managing director, UAL.

He was in Cape Town this week for the 25th anniversary celebrations of UAL and of merchant banking in South Africa.

He told Business Argus: 'We have entered a phase where, if we organise our affairs properly, we will move rapidly ahead in the eighties.'

Gave boost

Developments which would give a boost to mineral production and make South Africa an energy exporting country 'if we are not one already' were:

- The West had decided that member countries of the North Atlantic Treaty Organisation should rearm at a rate of three percent a year in real terms.

'This means that demand for strategic minerals will be very good'.

- The Western world would have to go in for nuclear power in its next phase of development. This would increase the demand for uranium.
- Exports of coal would double over the next four years. The price of coal would also go up, increasing earnings from this source.

The outlook was bright as long as gold remained at the 600-dollar-an-ounce level.

'The high gold price has turned the terms of trade in South Africa's favour and the balance of payments should not be a constraint on growth as it has tended to be in the past.

'If our current account does become unfavourable, we have enormous borrowing capacity. Our credit rating is probably the highest among developing countries.

'What should make the eighties a period of potentially faster growth is the fact that we are using our labour from all population groups far more efficiently because of the removal of many restrictions.

'The educational qualifications of black people are also rising rapidly.'

(58) FM 7/11/80

BANK CARTEL

Letting in fresh air

The 60-year-old cartel agreement between SA commercial banks is about to be jettisoned. At worst, some bankers say, it will survive only another six months.

The first crack in the agreement, known as Roco, discernible to the public came last week when the signatories decided to scrap the minimum charges on the discounting of the bills.

For decades, this agreement — although it has recently been honoured more often in the breach — has inhibited competition and innovation in commercial banking markets.

The system of minimum charges it lays down has also weighed heavily against the man-in-the-street and in favour of corporate bank customers.

There are two basic reasons for Roco's imminent demise:

□ The appointment of Dr Gerhard de Kock to the Governorship of the Reserve Bank and the attitude of the Commission of Inquiry into the Monetary System and Monetary Policy, which he chairs, towards competition.

The commission's final report, which is expected to have far-reaching implications for financial institutions, is due early next year.

□ There has been such a concentration of banking assets into five large bank groups over the last five years that the need to keep competitors out has decreased markedly. In fact, there are very few independent banks left in SA, except very small ones serving special interests. Consequently, some of the Roco signatories themselves are now feeling the confines of the agreement.

The power of Roco really derived from the dependence of smaller commercial banks on the large branch networks of the giant commercial banks to clear their out-of-town cheques.

Gentlemans agreement

The register, originally "a gentleman's agreement" among commercial banks, which specifies minimum charges for various banking services, has been in evidence since the turn of the century, but was first put on a formal basis in the 1920s. It was instituted after a spate of bank failures to discourage the smaller banks from undercutting competitors to the point at which they found themselves in difficulties.

Although *ad hoc* changes have been made in response to immediate pressures, the mechanism of the register has not been effectively overhauled in the last sixty years.

The register's minimum charge stipulations cover ledger fees, cheque collections, transfers, advances and some foreign exchange commissions. Signatories to the register include the "big five" bank groups — Barclays, Standard, Nedbank, Trust and Volkskas — and five other smaller commercial banks.

But changing conditions in the industry have led to the formation of a committee to review the whole structure of bank charges. One pressing problem has been that of the regional distribution of charges, which were important when fund transfers relied on a slow, expensive postal service, but which have been superceded by advances in electronics and telecommunications.

The announcement of the findings of this committee (its initial proposals were withdrawn) have been imminent for nearly a year. By now it seems accepted that its final decisions will be timed to coincide with the report of the De Kock commission. But it may well be that the committee will announce no more than the termination of the register.

Bankers are in general agreement that Roco is on the way out. It remains, nevertheless, a sensitive subject, about which most are reluctant to speak. "It is basically an industry cartel," says one, "and no industry likes to publicise the existence of cartels within it. But there is something to be said for this one."

"The fact remains that SA is not only overbanked at the retail level, but also maintains peculiarly high reserve requirements. Completely free competition could lead the smaller banks into trouble." But Roco didn't save those that were placed under curatorship in the mid-Seventies.

Another factor in its demise is the encroachment of the building societies into the daily payments mechanism.

Yet another factor could be that a large American bank has been exploring the possibility in Pretoria of a local banking licence. Talk is that official concern at the concentration of financial power in five groups could mean it gets a sympathetic ear.

If it is allowed in, the cat will certainly be among the competitive pigeons.

MUTUAL & FEDERAL (53)

Nifty moves

FM 7/11/80

Activities: *Short-term insurer in SA and SWA. Immediate holding company is Mutual & Federal Investments, whose shareholders are Old Mutual (51%) and Royal Insurance of the UK (49%).*

Chairman: *J G van der Horst; managing director, M J Levett.*

Capital structure: *4,6m ordinaries of 50c. Market capitalisation: R33,5m.*

Financial: *Year to June 30 1980. Return on cost of investment portfolio: 10,3%. Underwriting surplus: gross premium income, 0,7% (5,5%). Taxed return on shareholders' funds: 8,5% (16,2%).*

Share market: *Price: 720c (1979-80: high, 720c; low, 440c, trading volume last quarter, 23 000 shares). Yields: 17,6% on earnings; 7,2% on dividend. Cover: 2,4. PE ratio: 5,7.*

	'77	'78	'79	'80
Earned premiums (Rm)	42,7	47,5	52,7	61,1
Insurance expenditure (Rm)	41,6	45,4	47,8	60,4
Underwriting surplus (R'000)	1 147	2 025	4 897	715
Investment income (R'000)	2 594	3 629	4 763	6 487
Pre-tax profit (Rm)	3,3	5,4	7,9	6,7
Taxed profit (Rm)	3,3	4,2	5,5	5,9
Earnings (c)	75,4	90,1	119,2	126,7
Dividends (c)	30	38	44	52
Net asset value (c)	289	489	737	1 492

In the 1979 annual report, chairman Jan van der Horst warned that it was time for the industry "to return to more balanced premium rates if acceptable standards of service, growth in reserves and general stability are to be maintained." The year has proven Van der Horst's fears to have been well founded.

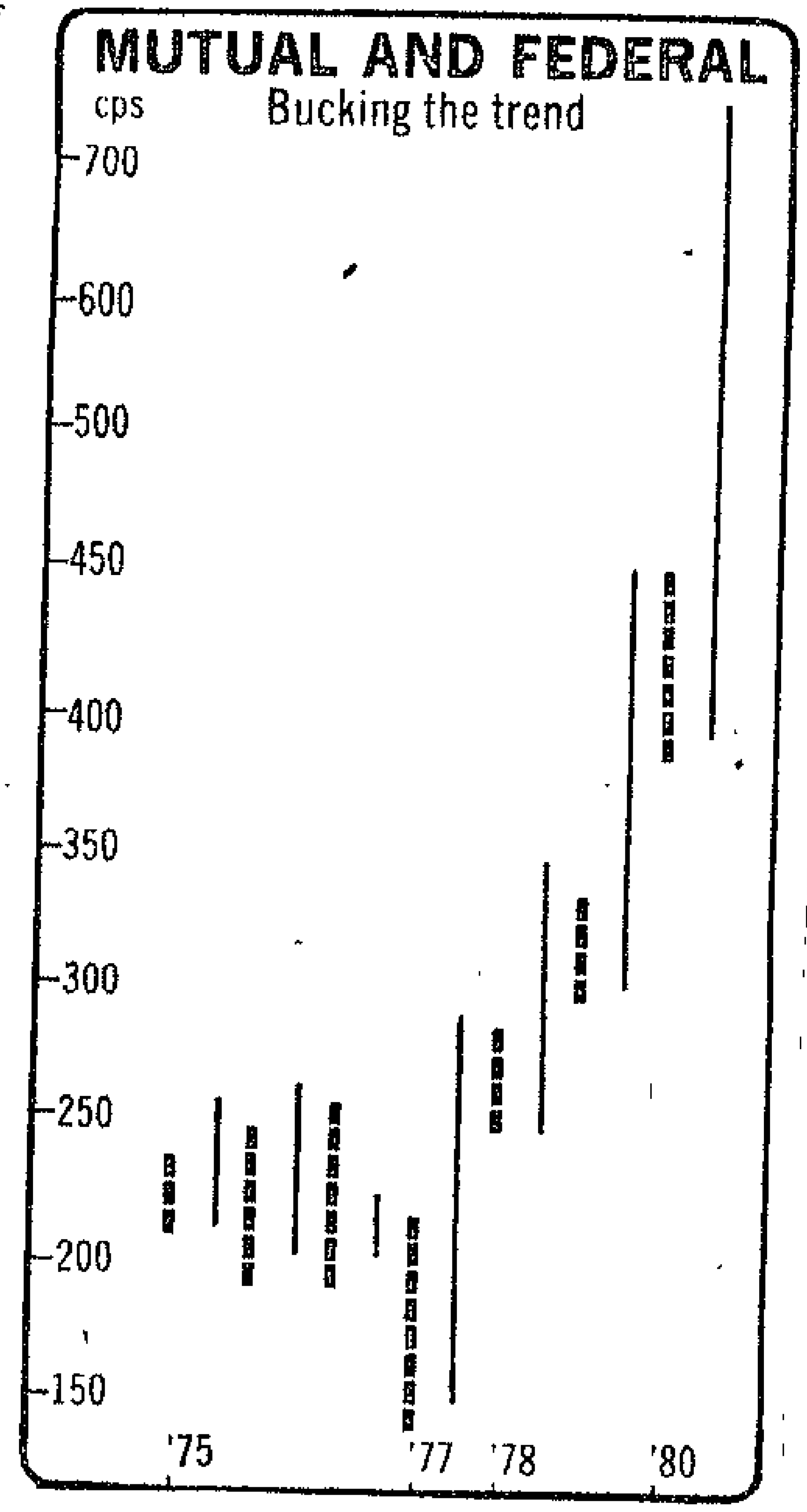
Continued "severe pressure" on premium rates and a high level of weather claims combined sharply to reduce underwriting surplus from R4,9m to R715 000. In terms of a percentage of earned premiums, the surplus has fallen from 9,3% to 1,2%. Admittedly, the 1979 surplus was way above average and the drop is somewhat distorted — the average over the past three years was 5,4%.

Management had foreseen, as far as events can be predicted by a short-term insurer, the narrowing of margins in insurance and sought to protect earnings by increasing investment exposure.

During the year, investments, at cost, were increased by over R10m; the bulk went into preference and ordinary shares, while government securities were lightened by just under R2m.

This strategy paid off handsomely with net investment income 36,2% up at R6,5m. Three-quarters of total investment income now derives from dividends; capital profits are credited to investment reserves.

A pointer to the group's short-term performance can be gleaned from the fact that premium income, net of reinsurance, increased by only 16%, while claims expenditure increased by 37%. An acceptable industry view now seems to be that, though there is a significant inflation component in the claims increase, it is unlikely that the rate of increase will be repeated this year. Premium income should at least level-peg, as few believe rates can come down further or, indeed, be main-



tained at current low levels. On the investment side, the group remains fully invested and though dividend income may not increase by the same amount during fiscal 1981, it is possible that some capital gains could start filtering through.

Those factors which combined to hold the increase in taxed profits down at 6% were probably largely out of the control of management — they were exogenous industry trends. The performance of management is better measured by the ratio of general expenses to net premiums. This has fallen to 14,4% (15,3%), the group's lowest level in five years. If commission is added to expenses, the ratio is 28,4% — fully 10 percentage points down on the 1975 costs level.

Judging by the solvency margin — the ratio of shareholders' funds to net premiums — the group is financially sound, with a high level of reserves.

The directors are concerned about the effects of the ruling low premium rates and reserves continue to be strengthened. The declaration of a 52c dividend gives growth of 18,2%, but cover is reduced from 2,7 times to 2,4 times. As has already been pointed out, however, 1979 can be considered an abnormal year and cover has been maintained at the level set in the previous years.

It is more likely that cover will be increased rather than reduced in the near-term. Earnings of 150c could allow a 1981 distribution of 60c. The prospective yield on this is 8,3% which, for a short-term insurer with all the incumbent risks that entails, gives a fully valued tag at 720c.

Ian Mun

STAR 7/11/80

Big boost for Picbel

58

By Ann Crotty

Picbel has increased its after-tax income in the year to June 30 by 106 percent over the previous year from R4,9m last year to R10,1m this year.

Attributable earnings have shot from 24c to 80c a share. Dividends have doubled from 4c a share last year to 8c a share this year.

The chairman, Mr Jan Pickard, says: "The demand for our group products, ie meat, canned goods, garments, hotel accommodation and white goods was at a very high level and every division achieved record earnings."

Picfin which is also part of the Pickard stable increased earnings from 41c to 62c a share while dividends have been increased from 18c to 20c a share.

Mr Pickard said that "with effect from July 1 the Picfoods (formerly Asokor) meat interests were merged with those of General Mining Union Corporation, with Picfoods retaining a 39 percent interest in the enlarged Karoo, valued at about R27m as at November 3 1980. For purposes of clarification the Karoo earnings of 41c per Picfin share which are attributable to that portion affected by the merger have been excluded from earnings."

Despite this, Picfin earnings registered an increase of 21c a share.

ERPM rights issue virtually subscribed

STAR 7/11/80

(5·8)

The East Rand Proprietary Mines rights issue has been virtually fully subscribed.

Rand Mines announced yesterday that the 40-for-100 issue of R1,00 shares at R30.00 per share was 98.25 percent subscribed. The issue, which closed yesterday, will raise R47,5-million which will provide a "cushion" to enable ERPM to continue with its capital expansion programme in the event of temporary downturns in the price of gold.

A spokesman for the company said that subscriptions came in from several countries, including Britain, France, Belgium, Switzerland, New Zealand, South Africa and SWA/Namibia. But the country which provided the most subscriptions was France, where ERPM is roughly 55 percent held.

Transvaal Consolidated Land and Exploration Company, which underwrote the issue, will pick up the remaining 1.75 percent.

BOOM BRINGS SURGE IN TAX REVENUES

(58) 12/11/80 ARCWS

Financiail Editor

THE latest Treasury statement shows that South Africa's economic policies of the past few years, with the emphasis on sound financing policies, are paying off handsomely.

It shows that the South African economy is booming as never before with tax revenue — a key indicator to economic activity — running 40,8 percent ahead of last year's figures, compared with a budgeted increase of 11,5 percent.

For economists all over the world, the most exciting aspect of this boom is that it has been achieved without government pump-priming.

It is certainly not the result of deficit spending or the lavishing of large quantities of cash by the state on capital works.

NOT INCREASED

On the contrary, government spending in real terms has not increased for the past three years.

The boom is thus the result of natural economic forces at last being given their head.

While it is true that the rise in the gold price has greatly helped, the economy would still have been booming even if the gold price had remained at last year's lower levels.

This South African-type boom has many attractions in the West. It creates new wealth and new jobs in today's conditions in a far less inflationary way than does a boom inspired by deficit spending.

It is also a much healthier boom as resources are more efficiently directed by free market forces instead of by bureaucratic decisions.

REFUSING

This is the sort of boom Mrs Thatcher wants and that is one of the reasons why she is refusing to restimulate the British economy with government spending.

American views are similar.

The governor-elect of the Reserve Bank, Dr Gerhard de Kock, said recently that South Africa had been a trail-blazer in the field of economic management for several years now.

It must be pleasant for him and his colleagues to know just how much leading Western countries are now trying to emulate their achievements with the same policies.

TAX REVENUES: APRIL—SEPTEMBER

	Actual increase percent	Budgeted increase percent
Customs duties	50,7	6,0
Excise duties	25,0	9,6
Taxes on income	52,6	14,5
Non-resident shareholders' tax	82,6	23,8
Transfer duty	98,5	6,7
Marketable securities tax	117,6	15,0
General sales tax	34,6	24,1
Inland revenue (total)	44,7	15,9
Tax revenue (total)	40,8	11,5

Volkskas tops list of merchant banks for first time

RDM 13.11.80

By ALEC HOGG

WITH only a handful of public sector capital market issues still to be placed this year, it is clear that Volkskas Merchant Bank has risen to top issuing house for the first time.

Volkskas has raised R206 500 000 for its public sector clients compared with R182 900 000 in 1979, giving it a market share of 29,4% against last year's 24,6%.

The bank's achievement is even more remarkable when one notes that a R54-million loan placed for the South African Railways and Harbours is not included in the figure because a large chunk of the loan was subscribed for by the Public Debt Commissioners.

Central Merchant Bank (Senbank) rises to second position, with placings worth R183 850 000 (1979:R169 900 000) and a market share of 26,2% (22,9%). The bank has made a considerable recovery from a couple of years ago when most of its capital market executives left the firm to go into stockbroking.

For Union Acceptances (UAL), however, 1980 has not been such a happy year as far as the primary capital market is concerned. The bank lost a lot of ground (and its top spot), with its market share falling from 1979's 36,3% to 22,3%, and issues placed from R269 900 000 to R156 240 000.

But UAL is showing increased dominance in the debenture market where it placed R97 500 000 for corporate clients. None of the other merchant banks managed to place more than R10-million.

PRIMARY MARKET SHARE

	1980 R	%	1979 R	%
Volkskas Merch	*206 500 000	29,4	182 900 000	24,6
Senbank	183 850 000	26,2	169 900 000	22,9
VAL	156 240 000	22,3	269 900 000	36,3
Standard Merch	75 345 000	10,7	16 700 000	2,2
Finans Bank	34 165 000	4,9	30 700 000	4,1
Rand Merch/ Sterianos	12 070 000	1,7	8 900 000	1,2
French Bank	13 250 000	1,9	6 900 000	0,9
Independent	20 000 000	2,9	50 000 000	6,7
Barclays Merch	—	—	8 100 000	1,1
TOTAL	701 420 000		744 000 000	

*FIGURES ROUNDED OFF.

Barring Volkskas, the success story of 1980 is Standard Merchant Bank, which in only its second year in the competitive capital market, has exceeded even the most optimistic expectations.

Standard lifted its share of the market from last year's paltry 2,2% to a respectable 10,7%, and by all accounts, the bank's aggressive marketing looks likely to pose an even bigger threat to the big three next year.

Assuming that Finansbank places the R7-million Port Elizabeth loan later this month, the bank will have achieved a satisfactory year. The Port Elizabeth issue will bring its total to R34 165 000 (R30 700 000) and give it a 4,9% (4,1%) share of the market.

This is a fine achievement, and puts it well clear of its nearest small bank opposition, Frenchbank, which has placed R13 250 000 (R6 900 000) for a market share of 1,9% (0,9%) in the year.

The Rand Merchant bank/ Jeanne Sterianos combination has also done well, placing R13 250 000 (R6 900 000) for a market share of 1,7% (1,2%).

The Industrial Development Corporation (listed as independent on the table) raised R20 000 000 for itself this year.

As can be expected when there is a bear interest rate market, and considerable liquidity in the system — as has been the case for most of 1980 — the amount of money raised by public sector bodies on the capital market will be lower than when there is a bull market and liquidity is tighter, as happened last year.

Total loans placed by merchant banks thus fell in line with the expectation of R701 406 000 compared with last year's R744 000 000.

It must be remembered however that the Government (RSA) and Land Bank loans are not included in the figures as the authorities handle the issues themselves.

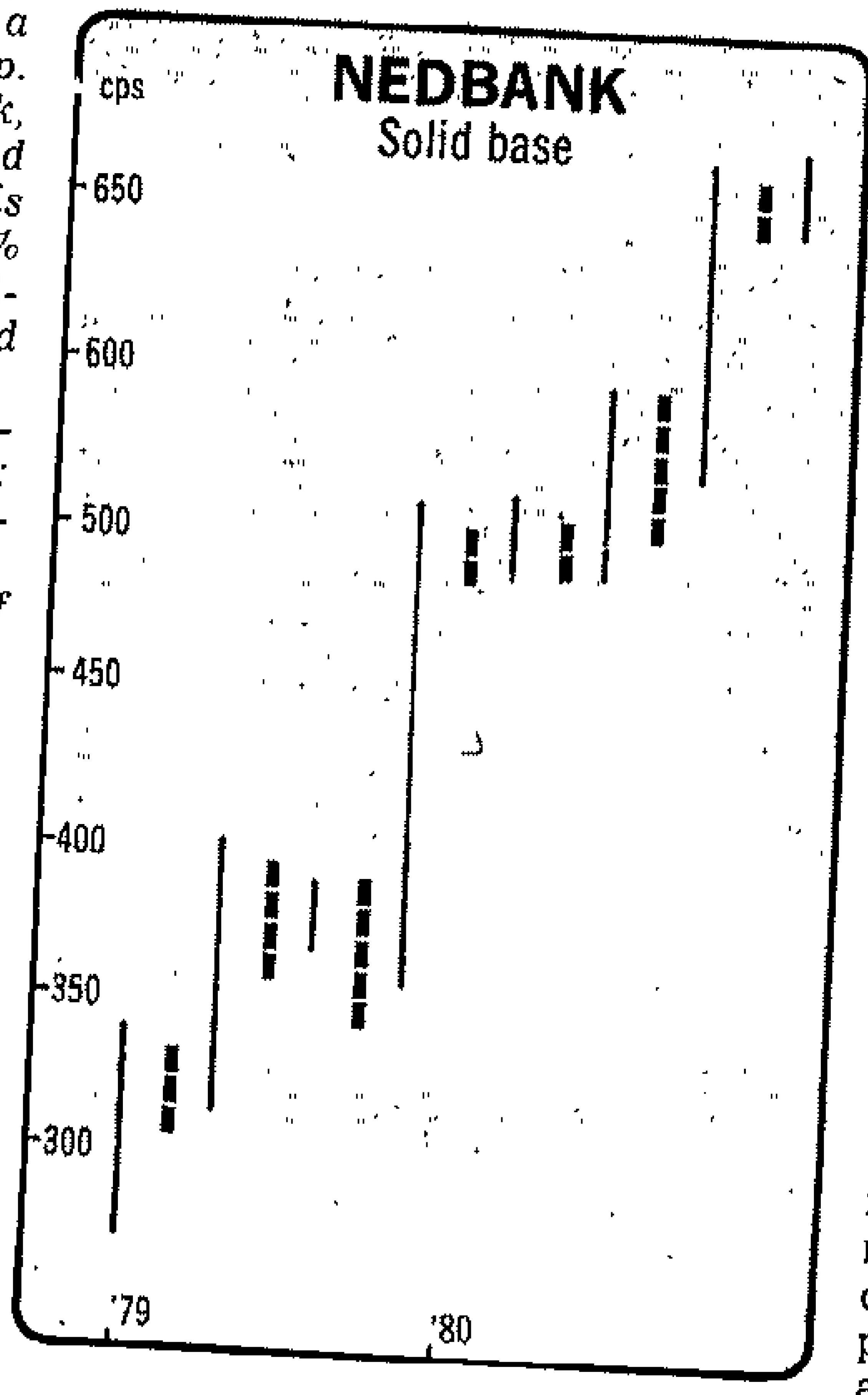
NEDBANK GROUP (58) FM 14/11/80

Geared for growth

Activities: *Holding company for a banking and financial services group. Principal subsidiaries are Nedbank, UAL, Nefic, Nedfin, Syfrets Bank and Syfrets Trust Companies. Rhobank is 61% owned and Nedsual Brokers 75% owned. Associates include Sage Holdings, Anglo-African Factors and Anglo-African Shipping.*
Chairman: *Dr F J C Cronjé; chief executive and senior deputy chairman: G S Muller; executive deputy chairman: L G Abrahamse.*
Capital structure: *88,2m ordinaries of R1. Market capitalisation: R587m.*
Financial: *Year to September 30 1980. Total assets· R4 609m. Ratio of deposits to total shareholders' funds· 11,7:1. Capital commitments: R5,4m.*
Share market: *Price: 665c (1978-79: high, 690c; low, 305c; trading volume last quarter, 1,2m shares). Yields: 11,5% on earnings; 5,7% on dividend. Cover: 2,0. PE ratio: 8,7.*

	'77	'78	'79	'80
Deposits (Rm)	2 033	2 328	2 592	3 239
Advances (Rm)	1 172	1 320	1 366	1 648
Net profit (Rm)	31,6	36,7	47,4	67,4
Return %*	17,7	18,6	20,2	25,3
Earnings (c)	36,8	42,6	54,2	76,4
Dividends (c)	18	21	27	38
Net asset value (c)	208	230	256	302

* On group shareholders' funds.



If there is one thing which has differentiated the Nedbank group from the other banking majors, it is that its deposits:own funds ratio has been well below the statutory 16,6:1 limit for many years. The obvious conclusion to be drawn is that the bank is well able to increase deposits and hence its lending base. That is clear enough, but as far as can be seen, the group has no intention of growing in that sort of way.

Management is not prepared to chase deposits solely for the sake of enlarging the group. The attitude is that size for size's sake is pointless. Far more important is earnings quality and return on assets employed. Last year's results should be seen in that light. With the level of earnings now reported, there is adequate scope for increasing business activity this year without necessarily having to opt for a greater proportion of deposits.

BANKING SUBSIDIARIES COMPARED

	Total equity (Rm)	Taxed profit (Rm)	Return %*	Deposit ratio†
Nedbank	149,1	44,1	29,6	13,9:1
UAL	31,4	5,9	18,9	5,6:1
Nefic	18,3	4,8	26,1	10,5:1
Nedfin	27,4	5,3	19,2	13,7:1

* On total shareholders' funds.
† Ratio of deposits to total shareholders' funds.

Nedbank's Muller . . . quality rather than size

At Nedbank itself, which contributed 64% (59%) of pre-tax income, deposits rose by 23,8% to R2 069,5m last year, while advances and bills discounted were 18,8% higher at R929,6m. So though the rise in advances was higher than 1979's 4,8%, the bank still appears to be underlent. That is, perhaps, not surprising in a year characterised by high levels of corporate liquidity and low interest rates.

The environment is expected to change little during the current year, though it is probably reasonable to assume that the level of advances will be a good deal higher. Many previously arranged loan facilities are starting to be drawn down. At least for the first part of the year, margins are likely to be squeezed in a more competitive banking environment, but that problem could lessen as the year progresses.

UAL, which increased its advances by 39,2% to R68,7m has laid the groundwork for a further advance. Management is remarkably coy about revealing the outcome of the unconsolidated Summit property sale, preferring to wait until disposals are completed before disclosing the final figure. But there has been a R14,5m inflow from sales to date, an additional R28,5m from the sale of the half share in Eastgate and a further undisclosed amount from the sale of the stake in PIT. All this has provided UAL with a larger lending base, as well as given it further deposit accepting capacity.

On the other side of UAL's business, fund raising for corporate and public sector clients reached a record R230m-odd. And though it is impossible to predict future trends, at this stage of the economic cycle there seems little reason to fear a major downturn.

The other three major wholly-owned banking subsidiaries Nedfin, Nefic and Syfrets Bank had to work hard for their profits. Nedfin overcame this year its earlier bad debt problems. Nefic remained underlent in the face of sluggish short- and medium-term loan demand, but was helped to an 11,5% pre-tax profit advance to R6,7m by higher dividend income. Syfrets Bank, on the other hand, was squeezed by a combination of early loan repayments and falling interest margins. Despite this, the lending portfolio was increased, but that was insufficient to prevent a 3,2% drop in pre-tax income to R813 000. There seems little chance of an early improvement of the earnings trend.

The fact is, however, that the current

BANKORP/DIROYAL (58)

The money factor

FM 14/11/80

The ghost of Rand Bank continues to haunt the corridors of Bankorp — no longer in terms of a troubled and unprofitable operation, but now in terms of the expense involved in converting the Rand Bank shell into a profitable debt factoring division. After pulling Rand Bank back from the precipice of liquidation in late 1979, Bankorp absorbed all minorities, acquired the outstanding deposits, relinquished Rand Bank's banking licence and changed its name to RSA Factors.

Most of RSA Factors' profits in the nine months to June 30 1980 were due to expenses reductions, bad debt recoveries and property sales. To establish the factoring division in today's competitive market would have required a high-budget, long term marketing strategy. Wisely, the group has decided to take a short cut with the acquisition, be it at a tidy premium, of well-established Repfin Factors.

RSA Factors has bought, for an effective cash outlay of R8,2m, the entire issued share capital of Diroyal's Republic Factoring and its wholly-owned subsidiary Repfin Factors. The price is made up of the purchase price, R3,9m, and the repayment by Bankorp of R4,3m in loans due to Diroyal from the two companies.

According to Diroyal, the sale will not have any material effect on earnings for the year to December 31 1980. Net asset value, however, will increase by 22c a share to 94c. Goodwill, therefore, is about R2,5m and as this is one of the major assets of a factoring operation, it can be taken for granted that a high proportion of the purchase price will be made up of the company's name and standing.

Repfin has expanded market coverage strongly over the past two years. In the year to end-December 1979, it increased its contribution to Diroyal's consolidated net profit by 96% to R347 000. So if goodwill is stripped out, Bankorp was prepared to pay four times earnings on the purchase price and 16,4 times earnings on total cost.

Though Bankorp has paid a price which is quite obviously favourable to Diroyal, the group gets a firm toehold in the factoring market. Repfin's impact on Bankorp's earnings in the current financial year is unlikely to be significant, but longer-term potential is attractive.

For Diroyal the deal is timeous. It is

Bankorp's du Plessis . . . a growing market factor

selling at a premium one of its strongest divisions which, nonetheless, does not coincide with the recently formulated strategy of paring operations to leave a core of manufacturing, retailing and servicing.

A Diroyal spokesman tells me that though there are no specific diversification or expansion projects for which the inflowing R8,2m is earmarked, the group will eventually acquire businesses outside existing areas but in manufacturing. Existing areas include Premier Wire, motor retailing, furniture retailing and ship supply services. This structure has been strengthened with the recent acquisition of the remaining 15% minority stake in Premier.

Most of the Bankorp money will be used by Diroyal to bolster working capital and overall return on capital is not likely to be significantly improved in the immediate future. But the share is one to watch. My bet is that the R8m could give a boost to strengthening the base in engineering.

FM 14/11/80 (58)

INSURANCE NETWORKS

Facilitating transfers

"Insurope", the international insurance group with its secretariat in Brussels, held its annual meeting in Cape Town recently, attended by 34 delegates from 17 countries. This is its first meeting outside Europe. Sanlam was the first life office outside Europe to join it and is the only SA member.

Multinational insurance networks have increased rapidly in recent years: others in the field in SA are John Hancock, Aetna Generali, Swiss Life and Travellers. They serve multinational companies in various ways; by providing information about local conditions. and helping to keep costs down, and insurance and pension benefits up.

One of the main aims is to facilitate the transfer of employees from one country to another with minimum disturbance of their benefit arrangements. For instance, the need for new medical examinations may be avoided, and reserves for insured pensions may be transferred without any penalties or charges being levied by the insurer.

Another advantage of multinational networks is that they can level out claims experience. Company XYZ, for instance, has too small an operation in SA to have an experience rate on its own results, but does not want to be lumped in with Sanlam's other clients.

Via the multinational network, XYZ's SA business can be taken out of Sanlam's pool and put into a larger context. The actual money stays with Sanlam in SA but, by particpating with the other XYZ companies on profits, its claims experience may be levelled out.

Similarly, unlike SA, where rates are free and are set close to cost, in some countries (for example, Belgium, Japan, Mexico, Brazil, Spain and Portugal) tariffs on rates are imposed, leading to very high profit margins for life offices. In a year of big claims in SA, but a healthy situation in other countries, the SA experience could be offset against the rest, thus avoiding pushing up rates.

Insurope, explains secretariat manager Frank Smolar, differs from other international insurance networks, which usually work on a bilateral basis between the head office and the local life office in a given country. Insurope, with its international secretariat, bases its operations on multilateral treaties signed between life offices all over the world. The international secretariat also acts as a clearing house. A feature of Insurope's loss carry forward system is that catastrophe losses are not carried forward, but are borne by the local insurer.

Matters being discussed at the meeting include the low social security scale in SA; ways of including different race groups in benefit plans, the increasing participation of SA interests in foreign subsidiaries; and transferability outside Insurope

Millions pour into building society coffers

14/9/80 SUN TIM (58)

TENS of millions of rands in new deposits are are now being injected weekly into building society coffers by the country's major financial institutions.

By PENELOPE MORGAN

The institutions, which are generating money for investment at a cracking pace, are turning to the building societies to help solve the problem of how best to spread the investment of the vast sums they are themselves producing.

It is argued by some, even from within the building society movement, that the big societies are not acting in the best interests of prospective home owners by accepting these huge deposits from the institutions.

The societies are not saying just how much money they are taking from the institutions but one can get some indication of the size of the flows from the the fact that over the past three weeks alone two of the smaller mining houses have deposited almost R40-million with the societies.

A big life assurance company like Sanlam, for instance, has about R2-million a day to invest.

The reason why the societies seriously jeopardise future availability of mortgage bonds by taking institutional money is that it is unstable money — the institutions are highly likely to withdraw their huge deposits when these mature in about 15 months' time.

The institutions are favouring the societies because their interest rates are at the moment the highest in the market. The rate on five-year shares is 9% whereas the coupon on a new 10-year City of Cape Town issue is 10,30%.

This, together with investors' belief that rates will rise soon means that in 18 months time deposits with the societies will be withdrawn to buy long-dated stocks at higher rates.

Because of the size of the deposits, this will drastically reduce the societies' pool of funds available for home owners.

The fact that the societies are still being offered institutional deposits is indicative of the dilemma facing the big investors. In other words, apart from building society deposits, where are the institutions to put their money?

They are moving into the property market in a big way. Apart from the rash of mammoth property sales, participation bonds and leasebacks have become very popular.

Corporate investors reckon that leasebacks are the most popular investment at the moment because yields are high — in the initial year not less than 9,5%.

The popularity of this type of investment is due to the expected appreciation in the natural value of property over the next 20 years as well as escalation clauses which, over 15 years, can bring the yield up to 19%.

A leaseback arrangement arises when a new owner leases the building back to the original owner.

Although rates are high (from 9,75% to 10,5%), the problem with participation bonds is that the non tax-deductable raising fee of about 1,5% to 2,5% kills the yield.

Reports from the Johannesburg Stock Exchange are that the institutions are generally holding their portfolios — they are not buying shares on any significant scale.

There are many factors influencing this but with share prices up, yields are down — the average for industrials is about 4,4%, and golds are around the 8% mark.

Dealers reckon that the absence of the big investors from the long-term market is not as significant as it seems.

They claim that by anticipating expected drastic changes in their statutory prescribed investments early in 1981 the institutions have tied themselves up in repurchase agreements with the banks on long-dated paper.

But it is generally accepted that investor resistance in the long-term market is continuing to drive rates up.

GORDON HENRY (58) FM 14/11/80

Unreliable crystal ball

Gordon Henry is chairman of Stewart Wrightson Holdings, the international insurance group based in London, which owns the Stewart Wrightson broking group in SA.

***FM:* You have said government has as little right to interfere with insurance brokers' commissions as it has with supermarket prices. Why is that?**

Henry: I do not see why insurance brokers should be selected for special attention. It derives from the historic compulsion of politicians and civil servants to interfere with the mechanisms of certain industries, concerning which there are prejudices.

Insurance brokers are not holders of the public's funds. They negotiate and arrange the insurance that the public needs with the insurance market which sells that commodity. If the basis of remuneration had proven unsatisfactory to the insurance buying public, you would not have had a situation over the past 40 years where an ever increasing proportion of the public have gone to brokers to buy their insurance.

It might be argued that brokers should charge their clients fees for their services?

It may well be argued, but saying that brokers should work for a fee is a very far cry from saying that brokers' remuneration should be dictated by government. As long as brokers receive commission from the insurance company, then it is purely an affair between the broker and the company. Would it be valid for the Registrar to interfere in the rate of reward that the company's own agents get?

In SA, there is official disapproval of ownership ties between underwriters and brokers. What is your attitude to such connections?

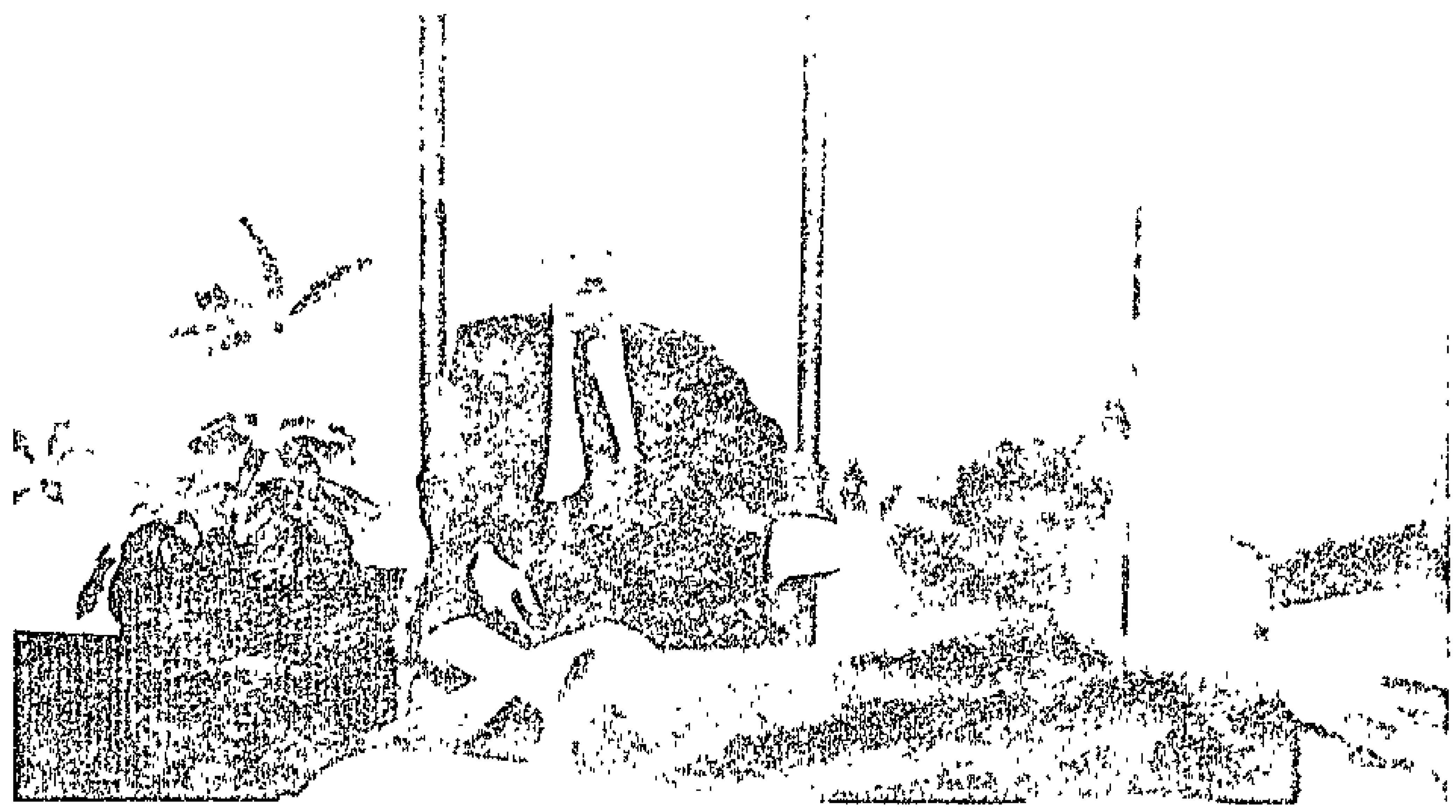
To run an insurance company other than on a strictly professional basis under professional management is to ask for trouble. To work from the view that you can have a loss-making insurance company support a profit-making broking operation is bad news indeed. The recent Fisher Report on Lloyds has indicated that it looks on the arrangement of big brokers managing underwriting agencies with disapproval. But this is looking at something in pragmatic terms without having a feel for how it really works.

What is the advantage then of brokers owning underwriting syndicates?

The advantage is the synergy between the two functions. The insurance broker is the best source of providing and encouraging new names to join the underwriting syndicate. He has connections all over the world, men with the capital resources to become underwriting members.

Why could introductions not take place without the broker having to own the syndicate?

Of course they could. But we are in the business to make money. This is a profitable side of our business and why shouldn't we do it? We do it effectively, efficiently and morally. Why does any commercial enterprise extend into another branch of its activity?



Could it not lead to a restriction of competition?

I'm on record as disagreeing violently and volubly with that particular finding of the Fisher Report. I think it is based on a misconstruction of how the business works. I must make it clear that of certain Lloyds syndicates which have been in trouble of one sort or another in the last few years, not one was connected with a major insurance broking house.

What are your feelings on ownership of brokers by banks and clients?

I do not like banks involved in insurance broking. I have listened to their protestations of good intent. But the fact remains that at operational level, advantage is taken of the financial relationship and clients are sometimes put under pressure. Similarly, nothing should compromise the independence of insurance brokers in their consultative relationship with their clients. They should neither receive business on a plate as a right nor be spared the disciplines and sanctions which are generated by competition.

Do you see risk management as gaining in importance in the Eighties?

It could become a real and valid science or a theme for something which people have been doing all the time. In real terms, risk management, like insurance, is an extension of financial management. The principle is to look at all options open to the corporation for protecting itself against catastrophe. If you take it to its logical conclusion, you have to employ people with a whole range of skills which are not part of the normal insurance broking activity. I don't see it in SA conceivably being subsidised by the kind of commission rates here.

When do you think the insurance industry will recover from recession?

The crystal ball is proving terribly unreliable. Had you asked me this two years ago, I would have said early-1979. If you had asked me 18 months ago, I would have said late-1979. If you had asked me three months ago, I would have said "For God's sake, let it be soon." Signs and portents indicate that it might be another two years before the casualties start appearing.

MORE GROWTH AHOY. . .

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14/11/80 SON TRIB (FIN)

But the economy will run into heavy weather if issues are not resolved

By TONY HUDSON Finance Editor

EVERYTHING in South Africa's economic rose garden appears to be lovely — but the thorns could take over if a few issues are not resolved, say speakers at the Financial Mail's Investment 81 Conference, held in Johannesburg this week.

On the positive side, the concensus is that Government has at last got a firm hold on the economy and that Finance Minister Horwood and his department in a position to guide the country into a decade of solid growth.

A dip in the growth rate is expected sometime next year, but speakers emphasised that it would be a slow down in the growth rate and not a return to recessionary conditions.

Nedbank's Merton Dagut said this would be as a result of bottlenecks caused by manufacturing capacity heading for 100 percent utilisation, a shortage of skilled labour and the fact that manufacturing capacity in this country for some reason cannot expand at more than about 12 percent a year.

Horwood was optimistic in his keynote address, and predicted an average growth rate for 1981 of around five percent and even higher for the rest of the decade.

However, Horwood did highlight two of the blight areas, inflation and the danger of oversupply of money.

Prof Lombard

On the oversupply situation, Horwood blamed it on the existing exchange control regulations, which, he said, resulted in a bottling up of cash in South Africa.

While not giving any details, he hinted very strongly that these would be changed in the new year.

Banking sources in Johannesburg suggest that the first step will be to allow banks to invest surplus funds overseas, where interest rates are still very firm.

He also hoped that draining liquidity from the economy would help to cool the inflation rate.

His plan, however, was slammed by Derek Keys, chairman of the National Discount House, who said Horwood should play a more active role in the control of money supply.

He said that the fiscus should reduce money by between seven and eight percent a year instead of just sitting back and contributing nothing to its growth.

At least three speakers underlined the need to share the nation's wealth. Professor Jan Lombard, author of the controversial Lombard plan for Natal, pointed out that the economic controls provided by Government over the past 30 years had done tremendous harm to the people of this country.

Among other things, it had led industry into a capital-intensive area of operation, which meant that jobs were not being created as fast as they should. He said that the ratio between capital and labour increased by 50 percent during the sixties and that one half of the skilled labour requirement came from overseas.

He went on to say: "We know that the economic growth proceses of this sub-continent must serve the material expectations of the people of this sub-continent.

We now know that about 90 percent of children currently in primary schools are black and that in less than one decade they will be the men and women who will be behind the driving wheels of our economy."

Lombard said: "We need not debate the probability of that-it is an elementary demographic fact.

"Least we allow these young children-almost four million of them-to grow up with the impression that the system of free enterprise holds nothing for them but to be 'hewers of wood and drawers of water' let us set about immediately to put these matters right."

Old Mutual chairman J J van der Horst said that "nuemployment could reach 11,5 percent by 1987," and if there can be threats of industrial action in Britain with an unemployment rate of 7,5 percent, how dangerous would 11,5 percent be in South Africa?"

Speaking on South Africa's growth rate, Dagut said: "Unfortunately, as always, the benefit is not evenly spread through the country and among all its peoples.

"This, I think, must be in the forfront of our minds when we recall the significance of this splendid achievement — it only provides the opportunity to increase the position of those of us in South Africa who enjoy acceptable and rising living standards."

Richards Bay gets R400-m injection

16/11/80 SUN TIMES (B.T.)

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GROWING INTERNATIONAL TRADE WILL EARN BILLIONS IN FOREIGN EXCHANGE

By Andrew McNulty

HUGE new expansion projects estimated to cost more than R400-million are under way or being planned under a far-reaching new development phase at Richards Bay.

The projects will create the infrastructure necessary for spiralling international trade that will earn thousands of millions of rands in foreign exchange.

Bulk shipments through Richards Bay in the next five years will go far beyond the coal terminal that initially formed the basis for the port's development.

Coal exports alone will earn more than an annual R3 000-million by 1985.

The South African Railways and Harbours is committing millions of rands to new facilities to cater for much-increased traffic through the port.

The message is that Richards Bay will assume new status as a fully fledged bulk-commodities port that will play a strong role in South Africa's foreign trade drive in the 1980s.

By 1985, the current bulk-traffic handling capacity will be increased by at least 150% to allow for a total 54-million tons a year.

"These are minimal figures based on current plans. But capacities of the new bulk facilities are designed to be doubled or even tripled fairly easily and will rise with the traffic," explains Tienie Crous, SAR&H's chief planning officer.

In addition to coal, exports through Richards Bay include titanium slag, rutile, zircon, chrome ore, ferro-alloys, phosphoric acid and wood chips.

Imports include sulphur, alumina and petroleum coke.

Major projects include:

- A general bulk-handling facility under construction at a cost of R107-million.

The first stage is aimed at exports and became operational late last year at a cost of R61-million for an annual 4 Mt/a of bulk cargo.

Work started some weeks ago on the second phase, a 3-Mt/a import facility that will cost R46-million and will be in operation by early 1981.

- Work to start in 1982/3 on a special bulk facility — to handle cargos such as ferro-alloys, steel, granite and wood logs — which is projected to cost R56-million.

It is to be operational by 1985, in time for the completion of the expanded main line which is being designed to carry a range of growing export commodities as well as coal.

- The expansion of the port's export coal-handling facilities, lifting capacity from the current 20-million tons to 44-million tons.

In addition to R350-million being spent by the SAR&H on expanding the main line from Broodsnyersplaas to Richards Bay, a considerable sum — possibly as high as R20-million — will be spent on dredging and new coal berths.

- Current talks in the chemical industry which are likely to lead to the formation of a consortium that would develop a massive new chemical storage and transport facility at the port.

Industry sources say the cost could be as high as R200-million.

The SAR&H already leases an area at Richards Bay to the Sentrachem subsidiary, Karbochem, for chemical storage.

"We are keen to see this extended," Mr Crous says.

"We have about 40 ha of additional land available which could be leased be a consortium for chemical storage. But it would have to be a common-user facility available to anybody."

Announcements on such an arrangement are likely by the year-end.

Edgars is reaching for the sky

SOWETAN 18/11/80 (58) (80)

By John Spira

SKY-high targets aimed at rocketing Edgars into world retailing rankings were revealed to Business Times yesterday during a wide-ranging interview with the group's chief executive, Adrian Bellamy.

Edgars' major target is to achieve sales of R500-million by 1983 and R1 000-million well before the end of the decade. Current turnover is R296-million.

Other highlights of the group's long-term corporate plan include:

- Market penetration is slated to grow from its current 12% to around 15%.
- Retail space is expected to expand from 319 000 sq m to 512 000 sq m within five years.
- The number of accounts, currently standing at 1,25-million, is budgeted to exceed 2-million by 1985.
- Staff employed will swell by 50% from the present 9 500 during this period.

Mr Bellamy emphasises that, while these targets might appear highly ambitious, they must be seen against the background of the likelihood that the 1980s will be a period of dynamic growth for the national economy.

They must also be viewed in the context of the group's remarkable growth record of the 1970s, when:

- Sales grew at an annual average compound rate of 19,2% — from R51-million to R296-million.
- Pretax profit rose from R3,8-million to R33,1-million.
- Return on shareholders' funds rose from 20% to 31%.
- Earnings per share increased from 162c to 975c.
- Total retail space grew from 68 000 sq m to 319 000 sq m.
- Total staff employed expanded from 3 600 to 9 500.

According to Mr Bellamy: "The strongly positive growth path traced by the group during the past few years and the accelerated growth rates anticipated for the decade ahead have placed Edgars in a new league.

"In order to meet the challenges which will be imposed by this anticipated accelerated growth, Edgars has committed itself to a carefully planned and highly professional approach with special emphasis on efficiency — efficiency in the utilisation of its human, material, financial and technological resources to the ultimate benefit of its customers, staff and shareholders."

Consequent upon the group's goals for the future and two of its major imperatives for the 1980s — productivity and excellence — a new management structure has been implemented.

Edgars receives its direction from two boards — a corporate board and a management board.

COLIN CAMPBELL on the company scene

Huletts hunting for a higher final

16/11/80 SDN 1618 (58)

AFTER such a diet of fancy profit increases are company profit statements starting to look a little bit soggy?

That is certainly the impression from the batch of selected company results issued this week, which again underlines the old market adage that nothing goes on going up forever.

Huletts Corporation, for instance, has reported a modest 14 percent rise in first half earnings on a turnover which rose 41 percent, and has held its interim payment.

The incidence of inflation accounting obviously had its impact, but deeper down it is admitted that the effects of the Natal drought have hit sugar earnings quite hard.

So it is largely thanks to improved figures from its non-sugar interests which has enabled Huletts Corporation to report some increase at the half-way mark - though there are question marks over year-end figures.

That its industrial interests are doing well is illustrated by very good results from Hulamin, where interim earnings rose from 29 cents to 59,2 cents a share, and the interim payment was raised to 18 cents.

There was a very encouraging note from the board under "prospects" in which shareholders are told that results for the second half will be better than those now reported. Clearly the final will rise.

As for Huletts Corporation itself, it will benefit from a better performance — but depends on sugar. Johannesburg analysts believe that perhaps Huletts Corporation is being too conservative. Others have their eye on the international sugar price which has been viewed as bullish by sugar brokers in London, so there are mixed factors for potential investors to consider.

And at the back of everybody's mind remains the question whether there will be a bid for the minority interests. Time will tell.

Palamin

On the mining front Palamin announced a reduced third quarterly dividend-down from 32,5 cents to 30 cents a share-reflecting the recession in the copper market. The economic outlook for America and in turn the world should be watched for any view on Palamin.

Hill Samuel

On the banking front there are two companies worth looking at: Nedbank produced its annual report, and the chairman said that the current economic strong upsurge is the prelude to several years of rapid real economic advance in South Africa, and merchant bank Hill Samuel turned out a very respectable interim profit statement.

At Hill Samuel net earnings were up by 52 percent at 25 cents a share and the interim was hoisted from 11 cents to 12,5 cents a share. Dividends for the full year are not expected to be less than 27,5 cents a share on the capital as increased by the recent rights issue.

And given the new banking era which will be ushered in with Dr G. de Kock as Governor of the Reserve Bank, banking companies should do well.

Nedbank

One point of general interest raised at the Nedbank press conference was the prospect of banks being allowed to invest overseas — something which has been talked about in relation to the new wave of thinking going through Pretoria of late. And Nedbank produces its figures in US dollars as well this year, which at least suggests that it is ready.

Gypsum

One problem which has worried a lot of investors has been that so many shares are too highly priced on the exchange. And at Gypsum there is to be a share split, which will improve marketability. There is to be a split from a nominal value of R2 into 10 shares of a nominal value of 20 cents each.

Caxton

Caxton did very well in the year ended August. In fact it has been one of the best years in the company's history. Net earnings, before an extraordinary item, shot ahead to 63,3 cents a share, and there is a final dividend of 12 cents to make 18 cents a share for the year.

Last year there was a loss, and no dividend. Argos has a stake in Caxton.

IGI

The toughness of the insurance market is well shown by reported remarks by IGI. But on its figures IGI is doing well — net earnings are up 58,3 percent at 14,4 cents a share. Earnings of foreign subsidiaries are excluded.

Though there ahve been patches of brightness in this week's batch of reports, there have also been some patches of darkness. And it is noticeable that there is now a more cautious air to industrial share prices on the JSE.

But then perhaps the market has already heavily discounted results, for it is no secret that industrial shares in recent months have been very firm ahead of results.

Movements on the gold board did worry investors in general this week, and this may also explain the dreary performance. There may be still good times ahead, but some companies will clearly be doing better than others. As for market strategy, that clearly should be selective.

Mutual's growing property portfolio

16/11/80

SUN TRIB (58)

Property Correspondent

AT current rates of growth in investment, Old Mutual's property portfolio will be doubling in size every three to four years.

It intends to achieve this by continuing to seek top-quality office, flat, retail and industrial buildings and development opportunities in prime locations, says D. M. Stuart-Findlay, manager property investments.

He points out that many of Old Mutual's current policies will not be paid out until the year 2020. Old Mutual's management is only too aware that investments made today must provide policyholders or beneficiaries with assets of real value in the years to come.

Under these circumstances, several features make property investment a sound investment. These are:

- Property investment is a long-term investment and well located and designed buildings can enjoy a productive life span of at least 30 to 40 years. This is an ideal feature for the long-term investment requirements of life offices.

- Property is a growth investment. Increasing demands on a finite supply of land assist to offset the effects of inflation. Over the years Old Mutual's investment properties have enjoyed consistent growth in net income.

- Property is a relatively secure investment. For a tenant, rent is a fact of life. To stay in business, a company has to ensure continuity of occupation and the rent cheque is one of the first to be paid.

- Investments in property require large amounts of capital. Life offices do not need to use mortgage bond finance to purchase property.

The boom period in the late 1960s and early 1970s enabled private investors to gear up developments when mortgage interest rates were low and rents were increasing rapidly. The downturn in the economy coupled with soaring interest rates and inflation turned many of these schemes into heavy financial burdens.

Today almost all privately held buildings in the CBDs of our cities are owned by financial institutions, which find the steady upward growth trend in income a far more satisfactory feature than do small investors with short-term cash flow problems.

Soaring company profits

[illegible]

[illegible] company [illegible] reported [illegible] record profits in the September quarter.

A total of 83 large, listed financial and industrial companies reporting for the period to [illegible] increased their profits before tax on average by 63%, and earnings by 67%.

A quarter of them reported profit increases of 100% and more and some of the country's biggest companies, including Barlows, SA Breweries, OK Bazaars, Nedbank and Premier increased profits by more than [illegible]%.

Most impressive performers among those reporting for a year or more were Kanhym, the meat giant with pre-tax profit up 136%, following its recent rationalisation with Karoo, and Premier Paper, which was 102% ahead before tax.

O See Page 14

Industry steps up profits and dividends

~~180~~

18/11/80 News.

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INDUSTRIAL companies continue to report booming business, higher profits and better dividend payouts.

● **Lion Match** is paying a non-recurring 5c dividend on top of its 15c final, making 45c for the 18 months to September against 25c for the previous year.

Taxed profit reached R7,8-million, equal to R5,2-million on an annualised basis, which is 48 percent up on the previous 12 months.

Earings rose to 88,97c a share for 18 months compared to 39,78c for 12.

At pretax level, profit was R13,4-million or an annualised 40 percent over the 1979 figure.

● Turnover of **Stewarts and Lloyds** jumped by R77-million or 27 percent to R358-million in the year to September.

Taxed profit of almost R12-million was 55 percent higher, a figure depressed by valuing all stocks for the first time on the Lifo inflation-accounting basis.

An 18c final dividend raised the year's total payout by 27 percent to 28c (22c).

● **Chemical Holdings** doubled its pretax profit to R2,1-million in the September quarter. Sales were up 29 percent to R17,1-million.

The half-year's earnings are foreast at R2,4-million, a rise of 85 percent.

● A 60 percent rise in interim dividend is coming the way of **Dermacult's** shareholders, the payout rising to 4c from 2,5c a share. Earnings jumped to 21,15c from 7,3c.

Taxed profit of R213 000 was almost 189 percent higher.

● **Hosken's** taxed profit for the half-year was 83 percent higher at R573 000, equal to earnings of 11,7c (6,4c) a share.

● **Chloride** boosted its half-year sales by almost 12 percent to R21,5-million.

But earnings dipped 23 percent to R1,1-million because of lower margins and intense competition in the motor replacement market. The interim dividend is still 11c.

● A large part of **SA Druggists'** business does not benefit from the boom, say the directors, and taxed profit improved 12,5 percent to R4,4-million for the half-year. Profits for the second half are expected to be higher.

Tom Hood

The banks may scrap ledger fees

Financial Reporter

COMMERCIAL banks are nearing the end of talks whereby ledger fees on current (cheque book) accounts will be scrapped

But because any decision will first have to be sanctioned by the Government, consumers cannot expect any respite from this quarter before the first quarter of 1981.

And because the revenue which banks receive from bank charges are important to them, they will attempt to balance the funds lost through ledger fees by doing away with some of the free clearance areas

This will mean, in effect, that whereas now if one deposits a cheque drawn on a Yeoville account in a Braamfontein bank account no charge is levied in future there will be one. The current clearance charge is a standard 20c on R100

CT, 20/11/80

Bank ledger fees may go, BUT —

(58)

By ALEC HOGG

JOHANNESBURG. — After four years of negotiation, banks are close to tying up an agreement whereby ledger fees will be abolished.

But, because this is a valuable source of income to the banks, these charges are likely to be passed on to consumers in another way, most probably by the doing away with "free" clearance areas.

A free area is a term used in the industry for a part of the country where clearance of a cheque costs the client nothing. For example, when a client deposits a Braamfontein cheque in his account with a Doornfontein bank, he pays no commission on the clearance of the cheque, because both banks are within the Johannesburg monetary area.

No matter which way the banks decide however, nothing concrete will come about before Pretoria's approval has been granted, and thus no changes in the existing system can be expected before the first quarter of 1981.

Earlier this year there was much speculation in banking circles that ledger fees would be dropped. With the first crack in the previously rock-solid Register for Co-operation (Roco) appearing recently, observers are once again suggesting this may happen.

Roco is effectively a cartel agreement between the country's bigger banks and has worked effectively for the last 60 years.

With smaller banks recently threatening the cartel members on the promissory note market, it was decided to do away with the section of Roco dealing with certain bank lending transactions.

This has been seen by some as the first crack in the Roco shell. It has been speculated that sooner or later one bank would break even further away from Roco and abolish ledger charges.

So far, however, this appears unlikely, and the banks have united in trying to find a solution to the problem which will suit all the cartel members.

In the UK, there ise no such thing as ledger fees, while in the US fees are only levied when the client's balance on his current account falls below a specified figure.

Banks argue, however, that circumstances are so different in South Africa, that the US and UK experiences cannot be applied to the domestic situation.

The infrastructure, it is argued, is not nearly as well developed, and distances and communications are too large to enable an as effective clearing system.

The point is taken, but surely something along the US lines can be adopted. If for example, clients with a balance of more than R500 in their current account were not charged any ledger fees, they would be encouraged to keep at least this minimum balance.

Banks would be in a position to earn interest through their own placing of such "safe" deposits, with the additional benefit that the man-in-the-street would in this way be encouraged to save.

Whether the banks will follow this or another method will only be answered in the new year.

Building societies up fixed deposit rates

Com 55

By ALEC HOGG

FROM today, the building societies' fixed deposit interest rates are to be increased across the board

The return offered on one year fixed deposits is rising 0,5% to 8% a year two-year deposits by 1% to 9%, and three-year by 0,5% to 9,5%

Further good news for consumers is that banks are certain to follow the societies' example, and raise their rates by at least the same amounts.

Although the building societies are meeting today to discuss whether to raise mortgage rates (they are very likely to do so), they have to comply with a condition of notice.

This means that depending on the individual agreement which the house owner entered into, he will have between one and three months respite before the interest payable on his bond increases

Building societies are clearly beginning to feel the pressure of too little cash to service too many mortgage loans, and are clearly worried about being left with too little cash in 1981

Informed sources believe today's move by the societies could signal the start of a rate war between them and the banks, with the consumer reaping the benefit of a higher return on his savings

Although the man in the street is the banks and building societies' "bread and butter", the rise in interest rates on fixed deposits has actually been caused by a large-scale withdrawal of funds by financial institutions like the mining houses and insurance companies

The Minister of Finance, Senator Owen Horwood, is a clear protagonist for higher interest rates and the authorities have made it known in no uncertain terms that they want higher rates

As a result interest rates on the money and capital markets have risen sharply recently, luring a lot of institutional money away from banks and building societies

But eventually, borrowers of money will have to pay more for the privilege.

And the expected rise in mortgage rates is expected to knock the property market, as people will no longer be able to afford to pay the over-inflated prices which are at present ruling on this market.

If the mortgage rate rises by 0,5% across the board, monthly payments on a bond of R20 000 will rise from roughly R300 to R315

And a 2% rise in the mortgage rate before the end of 1981 looks possible.

21/11/80

Business Mercury

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Natal's Leasedoc becomes Volkskas

INDUSTRIAL bank subsidiary Leasedoc (Pty) Ltd, Natal's leading medical-leasing company, this week became a wholly-owned subsidiary of Volkskas Industrial Bank (VIB).

It writes more than 50 percent of all leasing to the medical profession in Natal, mainly in Durban and Pietermaritzburg.

This is VIB's first venture in Natal. VIB acquired Leasedoc from the Johannesburg-based Reichman group, a family finance house headed by Mr Gus Reichman, whose trade and shipping links in South Africa go back more than 50 years.

The group has relinquished its Leasedoc interests to concentrate on its major activity, international trade finance and confirming.

It also has sold its interests in Medical Leasing Services in the Transvaal to VIB.

Leasedoc, founded by a group of eight Durban doctors 11 years ago, mainly to finance radio-paging equipment, came into the Reichman group in mid-1978 as demand for its services developed into financing professional equipment generally.

Today, medical equipment constitutes 90 percent of its business.

Leasedoc will continue under its present management of Mavis Treadway and Julie Osborne.

Announcing this, VIB's managing director, Mr Malcolm Macdonald, said that Leasedoc's expansion and penetration of the Natal leasing market over the last 11 years 'has been impressive.'

With the bank's financial backing, it should now be in a position to command an even greater share of this market.

He said Leasedoc would become a major contributor to the bank's turnover and would provide a valuable supplementary financing service to those it already offers.

'We expect the company to move quickly into another expansionary phase similar to the one it has just enjoyed within the reichman group.'

Daar was in die jongste tyd 'n aantal stakings waarin sekere ongeregis-

HOME LOANS CRUNCH IN CAPE HITS BUYERS

(58) 22/11/80 ARGUS

By Alan Cooper, Property Editor

THE crunch in home loans has begun and Cape building societies are restricting mortgages and some are refusing new applications.

Some building societies have had their quotas for home loans cut by as much as 30 percent, while others fear that this supply of vitally needed money may slow down to trickle by June next year.

This blow to the would-be house buyer may also be compounded next year by an increase in mortgage rates as money becomes tight and more expensive. Rises of up to two percent in the mortgage interest rate have been forecast.

'The situation for the house buyer may become more critical in the middle of next year,' says Mr Selwyn Myers, general manager of Garden Cities, who is an expert on economic housing.

CHEAPEST

'With rising costs of building, the cheapest house a young couple can buy today in the Cape is in the R26 000 to R28 000 bracket. Flats are difficult to rent.

'We will have a real ... our

... hands if home loans are hard to come by and interest rates go up.'

Building society managers in Cape Town gloomily announced they were curtailing home loans.

'We are not lending as freely as we were three months ago,' said one.

Last month, our quotas were drastically reduced.

While we are being particular about new housing applications, we are not lending money for commercial or industrial projects.

QUOTA CUT

Another manager said: 'We have been told that our quota for the Cape is to be reduced next month. Already, some areas have had their loan allocations cut — Kimberley, for instance, by 30 percent.

'We have started clearing up our heavy backlog of applications and are refusing new ones.'

Die belangrikheid van die beter ben ... wees.

Laat my duidelik sê dat ek hiermee volkome saam ... word dat ons ten tyde van die Kommissie se onde ... wette gehad het wat vir die bevordering en behe ... voorsiening gemaak het, en dat dié wette deur t ... Departemente geadministreer was - en meer nog d ... statutêre liggame inspraak in die toepassing va ... spreek dit vanself dat die koördinering van opl ... aan gebreke moes gegaan het. En 'n gebrek aan k ... wendig tot nadeel van ons opleidingspoging stre ...

Die aanbeveling dat die bestaande opleidingswet ... word en deur een Departement, naamlik die Depart ... benutting, toegepas moet word behoort ongetwyfe ... dat beter koördinering en beter beplanning ten ...

58 23/11/80

10 SUNDAY EXPRESS, November 23, 1980

UNFINISHED 58 JOBS, UNPAID BILLS — AND A BRONZE BMW

More join hunt for immigrant debtor

By BARRY LEVY

BRITISH immigrant Mr Wynn Courtney, whose trail of debts was exposed in the Sunday Express last week, has now got lots more people on his tail — and the police have a dossier on him.

The Sunday Express switchboard has been inundated with calls from people anxious to trace Mr Courtney so they can recover money totalling thousands of rands which they allege he owes them.

A finance company has served him with a writ to attach his property unless he immediately settles a claim for R3 000.

Mr Courtney admits he owes more than R40 000, but counters with a claim that he in turn is owed R89 000, has stock worth R10 000 and that he is determined not to go into liquidation.

"I have spent R100 000 developing this business. No, we're not going into liquidation, that I can tell you now," he said.

A creditor commented: "The trouble with him is that he wants to run before he can walk . . . and he's quick with the mouth. A man you can easily end up believing."

This week, the Sunday Express got more of the story of how Mr Courtney had run up debts of tens of thousands of rands since he came to South Africa from England two years ago when we spoke to some of his creditors and looked into the police action against him.

- Mr Mike Wright told us he had paid Mr Courtney R4 000 to put up an outbuilding at the beginning of this year. The job had never been completed and an architect called in by Mr Wright to inspect what work had been done described the job as "shocking" and "terrible".

Mr Wright brought a successful court action against Mr Courtney, who had been ordered to pay back the R4 000. Mr Courtney still hasn't paid up.

- Mr Mike Rogers paid Mr Courtney nearly R3 000 for two outbuildings. The last time he saw Mr Courtney at the site was at the beginning of this month. He said he believed Mr Courtney had no intention of completing the job and he wanted his money back. Mr Rogers, a mining engineer, said the work that had been done was "terrible" and "shoddy".

"The walls are curved and the plaster is falling off them. You don't have to be a technical man to see it's a bad job. Even my wife could see it," he said.

- Mr Hermanus Peters is a carpenter who did work for Mr Courtney. He says he is still owed R2 200 and Mr Courtney once gave him a cheque for nearly the full amount but it was dishonoured. Mr Peters said he had been thinking of sueing Mr Courtney, but had now decided that would be simply "throwing good money after bad".

● Wynn Courtney
. . . creditors want cash

- Mr D J van Niekerk, a joiner, is claiming R842 from Mr Courtney. He says he has been trying to get his money since February:

"Every time I try to get hold of the man I am told he is Durban, or Cape Town, or Bloemfontein. I've tried many times but he has never come back to me." Two weeks ago Mr Van Niekerk sent a lawyer's letter to Mr Courtney demanding payment within 10 days but has not yet received any reply.

- The landlord of Mr Courtney's Germiston business premises told us that the November rent of R1 700 had not been paid, although Mr Courtney has been promising to pay since the beginning of the week.

Recently, Mr Courtney managed to stave off an attachment order from the landlord by producing a bank guaranteed cheque for R8 000 for previously unpaid rent.

"If he doesn't pay this time," said the landlord, "I will have him evicted."

- Last week Mr Courtney appeared in the Kempton Park Regional Court on a charge of forgery involving R2 778. He was released on R1 000 bail but had to surrender his British passport and report to the police every day. An official trial date is yet to be set.

Shortly before the Sunday Express published its story last week, two co-directors pulled out of the Courtney businesses.

They took with them stock which, they said, belonged to them, but Mr Courtney claims the stock, which he said was worth R30 000, was not theirs.

The two alleged this week that they had signed as guarantors for the present and future security of Instant Outbuildings — one in the amount of R26 000 and the other in the amount of R11 000.

"Now," said the former, "we have been smacked for the whole amount by Barclays. There is no way we can pay. We were only with Courtney for a short time, myself for four months and my colleague for two."

With this evidence, we confronted Mr Courtney at his luxury home at 46 Aandblom Street, Edleen, Kempton Park.

He had just driven up in a bronze BMW — not the white one which he usually drives and had on lease.

On the money owed to his landlord, he said: "I told him I am trying to get myself together because I have been stabbed in the back by people who are out to blacken my name.

"I have served a lawyer's letter on another construction company for a breach of contract which has cost me R90 000 and I will sue them for it."

However, a spokesman for the company told us that Mr Courtney had cancelled the agreement: "We entered into the agreement very cautiously in the first place because despite Mr Courtney's claims that his plans for outbuildings had official approval, we couldn't get muncipal approval on them — and because Mr Courtney was never on schedule," he added.

Oppenheimer within sight of Cons Gold target

STAR 24/11/80 58

The Star Bureau

LONDON — Mr Harry Oppenheimer, chairman of both De Beers and Anglo American, is now just 5,6-million shares away from the 29,9 percent stake he wants to buy in Britain's biggest mining finance house, Consolidated Gold Fields, according to a financial correspondent of the New Standard.

He says that the De Beers camp has revealed that they now own 50 008 750 Cons Gold shares, or 26,8 percent of the capital enlarged by the rights issue.

"The figures imply that Mr Oppenheimer's empire has been a determined buyer of Cons Gold shares since the 181-million sterling issue nine days ago, having picked up almost 4-million shares in the market," he writes.

At Rowe and Pitman, who organised the dawn raid and the original purchases, partner Oliver Baring, "it will be done in idea yet when De Beers will seek to increase their holding.

"Whenever they feel like it," added Mr Baring," it will be done in the most open possible way."

The presence of such a determined buyer, says the New Standard's correspondent, is sure to sustain the Cons Gold share price at least until the 29,9 percent target is reached.

"In spite of all the denials, Lord Errol, chairman of Cons Gold, and his men must be worried lest Harry finds the whole company just too mouth-watering to resist," he concludes.

'Jump from 6% to 11% on the cards'

Sharp rise in interest rates forecast

STAR 25/11/80

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By Pieter de Vos

Interest rates can be expected to rise sharply in the next six months, says Barclays' chief economist, Dr Johan Cloete.

Short term rates may rise from current levels at about 6 percent to between 10 and 11 percent, Dr Cloete predicts. Long-term rates may rise by about 1 percent from their current level of about 12 percent.

The recent rise in deposit rates announced by major banks is another of the first signs of this rising trend.

Rates on on-call deposits have been raised from 2 to 2,5 percent, deposits on 31 days' notice from 3,5 to 4 percent, deposits on six to eight months' notice from 6 to 6,75 percent and the rate for 24 to 35 months from 8 to 9 percent, to cite but a few examples.

BANK RATE

The prime overdraft rate can definitely be expected to rise from its present level of 9,5 percent. The bank rate — that is the lending rate at which banks can obtain money from the Reserve Bank — is expected to rise in tandem with the rest of the market. It has not been changed since August last year.

Bond rates will be raised, though Mr Boet Viljoen, president of the Association of Building Societies, declines to make any forecasts.

It is a particularly sensitive issue, he says, and he does not want to encourage speculation about the extend of future rises.

Rates have been followed closely in the past six months, he says. However, he is at pains to point out that only the rates on fixed deposits have recently been increased. The rate has been raised from 7,5 to 8 percent for deposits between 12 and 17 months and from 8 to 9 percent for deposits between 18 and 35 months. Rates on subscription shares and fully paid up shares, for instance, are being maintained.

SHRINKING

Hire-purchase and leasing rates should move higher in line with the rest of the market, but it is difficult to find analysts who are prepared to predict the kind of rises that the public can expect.

The banks' cash and credit sources are shrinking, says Dr Cloete. Banks have two sources — the current account on the balance of payments and Government expenditure of the money that has been withdrawn through taxes and other ways.

Dr Cloete points out that withdrawal of money has been in excess of the net inflow through the current account of the balance of payments.

In this way, the Government is currently restricting the creation of bank credit even further.

Black buying power to treble — stores chief

24/11/80 ARGUS

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By TOM HOOD

ADDITIONAL purchasing power brought to black consumers by the economic upswing should enable the rural population to double and treble its spending on clothing and other goods, says the chairman of Frasers stores group, Mr Donald Campbell.

This is in spite of inflation of about 13,5 percent next year, he says in his annual review.

Within the South African economy the black consumer market, with at present only 26 percent of the nation's purchasing power, must constitute the market's greatest potential for the future, he said.

As electricity, television and other amenities of life reached the townships, a new black life style would be both inevitable and widespread.

PROSPERITY

'The ramifications of the rapid recent return to prosperity in South Africa and the March budget were, initially, largely confined to industry and to urban commerce, employees and consumers.

'The potential in the rural areas for growth out of unemployment and poverty is considerable,' Mr Campbell said.

Frasers group turnover in the year to September 30 reached a record R226-million, 31 percent up on 1979.

Frasers operates more than 350 retail and wholesale stores.

Virtually all areas and divisions contributed satisfactorily including the controlled (50 percent) homeland companies, says Mr Campbell.

The growth rate was substantially ahead of that reported by the Department of Statistics for retailers and wholesalers countrywide.

● Metal Box is raising its interim dividend by 50 percent to 15c (10c) a share after more than doubling its taxed profit to R8,1-million from R3,5-million for the half-year to September.

Sales jumped by R30-million to R154,5-million.

A final dividend of not less than 21c (20c) is forecast by the directors, who say a slower percentage increase in profit and dividend is likely in the second half but the year's results should comfortably exceed last year's.

Amaprop merges with Sorec

Financial Reporter

THE long-predicted merger between Amaprop and Sorec — the two big but battered property companies in the Anglo American empire — is to take place to create a R287-million new grouping.

It will mean an Amaprop take-over of Sorec.

Amaprop, Anglo American Properties, is to consolidate its shares on a 1-for-4 basis.

Sorec shareholders will then be offered one new Amaprop share for each Sorec share.

On a market price basis this has attractions for Sorec holders since Sorec closed yesterday at 205c on the Johannesburg Stock Exchange and Amaprop at 68c.

A 10c dividend for the enlarged Amaprop is forecast for the 1981-82 year.

Sorec shareholders will get a 4c payment before the merger.

Amaprop yesterday announced a profit of R266 000 before extraordinary items for the six months to September 30 against a loss of R420 000 in the 1979 equivalent.

Sorec announced a profit for the same half-year of R1 018 000, or earnings a share of 4,52c, (R545 000 and 2,4c), after making R1 293 000 in the previous full year.

Neither company has declared an interim dividend.

As part of the Anglo property shake-up Amaprop will acquire additional shares in Carlton Centre from the main Anglo American Corporation and thus get a total 51% stake in Carlton.

Carlton has announced a rise in taxed attributable profit to R2 871 000 from R1 996 000 for the six months to September 30.

No interim dividend has been declared.

The directors say the profit improvement "is mainly attributable to the increase in the contribution to profits by the Carlton Hotel; continued growth in rental and parking revenues and reduction in interest as loans are repaid".

A statement accompanying the Amaprop half-year figures says: "Profits for the full year should show a marked improvement over the March 1980 figure of R66 000."

Sorec says: "The 88% improvement in profits is due to the receipt of additional revenue in an improved letting climate."

The announcement of the Amaprop take-over of Sorec says: "Amaprop is to merge with Sorec.

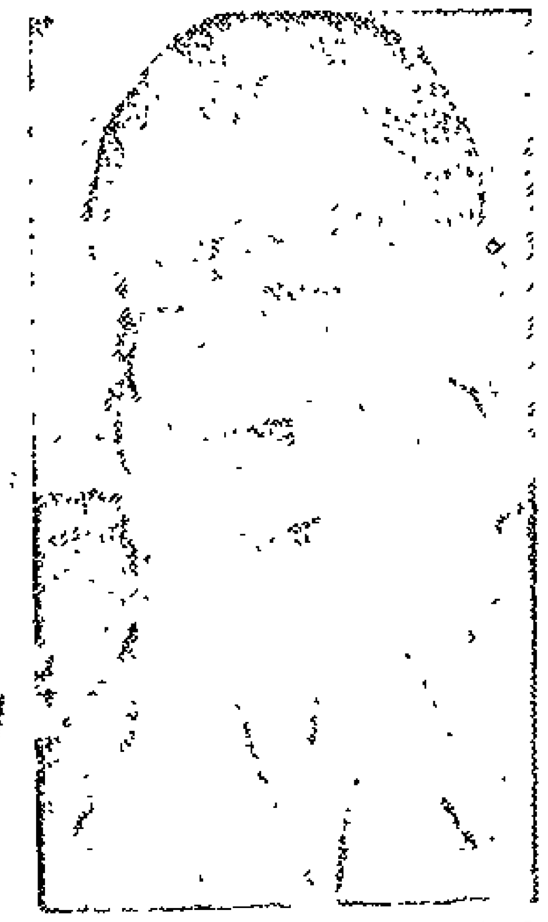
"Sorec shareholders will receive one Amaprop share for each Sorec share after the current Amaprop shares have been consolidated on a 1-for-4 basis.

"As part of the proposals Amaprop's share capital will be simplified with the present preference and deferred shares converted to ordinary shares.

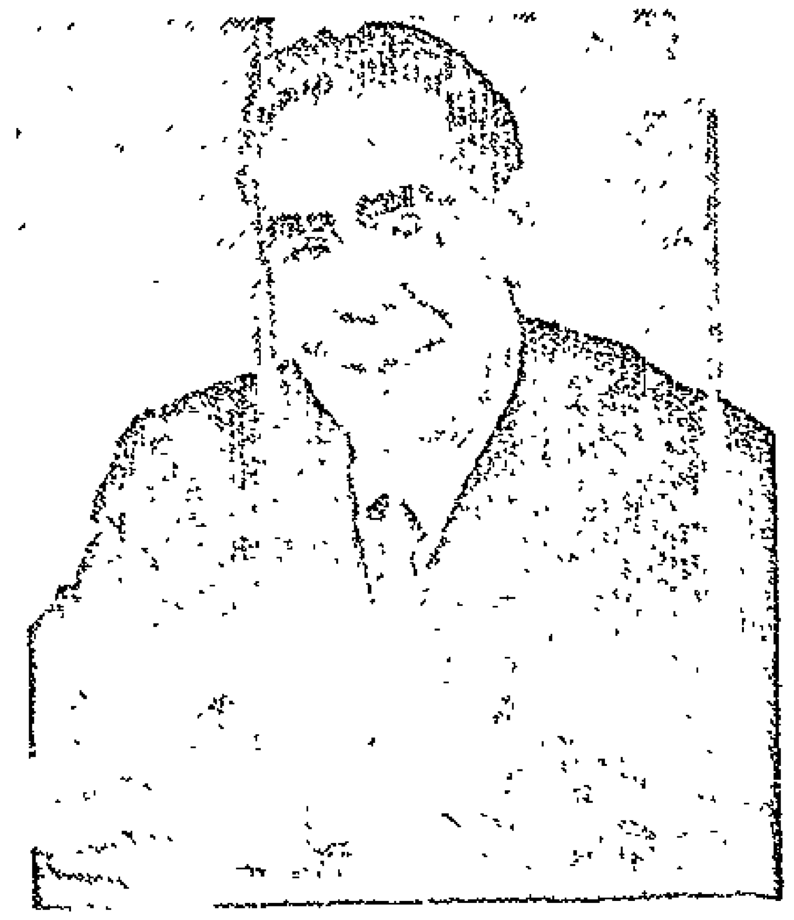
(58) Com 28/11/80

Waddell in Moscow — now what's going on?

Mr Gordon Waddell . . . "just passing through."



President Samora Machel . . . friendly, official visit to Moscow.



President Leonid Brezhnev . . . private talks.

STAR 26/11/80

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SA's Red gold link

From the Financial Times

LONDON — Collusion between the Soviet Union and South Africa leading to tacit understanding over the marketing of gold, diamonds, platinum and other precious metals has long been suspected in the West but never proved.

Last week, however, Moscow played host to Mr Gordon Waddell, one of the most important figures in the South African mining industry.

Mr Waddell is a former son-in-law of Mr Harry Oppenheimer, whose family built up Anglo American Corporation and De Beers Consolidated Mines. Companies in the first group produce [illegible] percent of the world's non-communist gold, while mines in the second dominate world diamond production.

There are four seats on the Anglo operating committee which scrutinises even small decisions made in the group. Mr Waddell has one of them. But he also recently became chairman of Johannesburg Consolidated Investment, 41 percent owned by Anglo and the major shareholder in the world's largest platinum mine.

He is therefore a key director in the South African mining industry, not at first thought the most obvious businessman to be visiting Moscow.

He was spotted by chance during a performance of 'Boris Godunov' at the Bolshoi Theatre. Mr Waddell and another Anglo American executive were in the company of two unidentified Soviet officials.

Asked for the reason for his visit Mr Waddell diplomatically replied that he was "just passing through." Moscow is not usually a place which important South African business figures "just pass through."

The Soviet Union has no diplomatic relations with South Africa and, according to the official Soviet trade statistics, the Soviet Union does no trade at all with South Africa.

But the two countries do have mutual interests and, at least in one sector, there is arms-length co-operation. Soviet rough gem diamonds are sold to a small company in London en route for the world's markets, dominated by the De Beers Central Selling Organisation (CSO).

It is an open secret, although never formally acknowledged by De Beers, that the CSO takes the stones from this company and then sells them as part of its normal marketing at 10 sales a year in London.

There is also some evidence, although less conclusive, of contact between the Soviet authorities and the CSO on diamond pricing.

Antwerp dealers have observed that if Russia raises the price of its polished diamonds, sold through an Antwerp office, this often precedes a price rise for CSO rough stones.

PLATINUM TIE

For platinum the picture becomes murkier. South Africa and the Soviet Union are the world's two main producers, and periodic rumours surface to the effect that the two are considering a cartel.

But South African production is usually sold by direct contract while Soviet output, when available, goes to the free market. The fact that free market prices influence South African producer prices suggests at least a joint interest in holding prices as high as possible or, at least, preventing them from slipping too far.

Certainly the Soviet Union has long taken a keen interest in the marketing of South African precious minerals. It is the world's second-largest gold producer, with an annual output estimated by Western mining experts to be around 400 tons.

Soviet gold sales this year have dropped back sharply from last year's level of over 200 tons. It transferred 34 tons, worth about R533-million to the Swiss bullion market in September and October, but may also have sold some metal through London and New York.

Bullion market speculation of possible Soviet-South African cooperation flared recently when it became known that a team from Consolidated Goldfields, the London-based mining finance house in which De Beers and Anglo own significant holdings, had recently paid a visit to Moscow.

EXPLORATORY

The trip was very much an exploratory mission for both sides. But it is thought that Cons Gold eventually may help the Russians, in particular by broadening their knowledge of the gold market.

It would certainly be difficult ever to prove active collusion. But it is striking that this year both the Russians and the South Africans have been following broadly similar marketing policies by holding back some of their production from world markets to help bolster prices.

The Russians have always been adept at this sort of game, taking pride in varying the timing and method of sales to keep the market guessing.

The South Africans have normally fed their production to the market in a steady stream. This year, however, Pretoria has switched to a more sophisticated sales policy by adding part of its output to reserves.

One link the Russians and South Africans share with all other major gold producers is that most of their output is marketed through the major Swiss banks.

Since 1972, when Russia started selling gold to the West again after a seven-year absence, most of its supplies have been routed through the Swiss market.

South Africa has also used Zurich to handle aruond 55 to 60 percent of its sales in recent years. A large amount of South African gold is airfreighted to London, however, before being sent on to Switzerland — and the proportion of South African gold coming on to the London market seems to be increasing.

CHANCE

Perhaps by sheer chance, Mr Waddell's brief stay in Moscow coincided with a lengthy 'friendly official visit' by a top-ranking delegation from Mozambique led by President Samora Machel, who held talks alone with Soviet President Leonid Brezhnev, as well as full-scale meetings between the Mozambique delegation and the Soviet Leadership.

President Machel was treated during his visit in the style befitting one of the Soviet Union's closest and most important allies in Africa.

The coincidence of the visits highlights the ambivalence of the Soviet attitude to southern Africa. It is the dilemma of squaring ideology with economic necessity.

GAP

There has always been a gap between rhetoric and reality. Both South Africa and the Soviet Union are caught in the same dilemma. It may be, as many Suth Africans have remarked in private, that the coincidence of economic as opposed to political interests, may deepen this improbable relationship.

Rembrandt counters all well up

BY GAIL PEMBERTON

REMBRANDT Group had pre-tax profit up 34% at R60 738 000 from R45 199 000 for the six months to September.

Earnings rose by the same percentage to 131c from 97c a share. Tax took R13 284 000, leaving attributable income of R68 393 000 (R50 610 000).

The directors have declared an interim dividend of 18,0c (14,5c). They say a buoyant economy contributed to the growth in earnings.

"The income from your group's investment in mining also increased." **Rembrandt Controlling** has increased pre-tax profits 34% to R60 736 000 (R45 213 000), leaving attributable profits of R34 898 000. Earnings a share are 96,9c (71,5c) and the interim dividend 13,2c (10,6c).

Technical Investment Corporation boosted pre-tax profits 24% to R1 926 000 (R1 548 000). Earnings a share are 85c (62,6c), and the interim dividend 11,5c (9,2c).

Technical and Industrial Investments reports pre-tax profit of R2 406 000 — up from R1 951 000. Net attributable income is R11 805 000 — up from R8 610 000. Earnings per share are 89,4c (65,2c). The interim dividend is 11,5c (9,2c)

COMMENT: As usual, Rembrandt's results are typified by a lack of accompanying information. But the total growth in consolidated earnings is not unimpressive at 34%. And it should be remembered that the contribution from overseas associates will have been lower because of recession in the West, particularly the UK.

The termination of the beer war will also have contributed to the increase.

Dividend increases have shown increasing generosity over the past three years, up 13%, 18%, and now 24%. And the high retentions mean that the group can continue increasing the payout, even if earnings stagnate, which is highly unlikely during 1981.

Rembrandt is diversifying into the energy-mineral fields. This type of diversification will determine the group's long-term growth pattern.

It will help to offset the eventual decline in earnings from the falling tobacco consumption in the developed world. For the time being tobacco consumption in the underdeveloped countries is still growing, and this gives an overall growth in the industry.

Rembrandt is unquestionably a blue chip. Apart from its strength as a currency hedge, its high dividend cover allows for close to a 20% annual increase in net assets, merely from ploughback. Although the return earned on retained funds might not be exciting, it does mean that the capital value of Rembrandt shares should have built-in growth.

Rembrandt closed yesterday at 780c where it yields an historic 4,3%. Rembrandt Controlling closed at 565c, also on the same yield. Tegkor at 450c yields 4,7%, as does TIB at 450c.

27 Nov 1980

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requested to deliver or cause to be delivered to me at the address stated below within 60 days from the date of notice, a written statement indicating:

(a) What the total amount is which is claimed by you as compensation and how much of that amount represents respectively compensation for actual financial loss and for inconvenience contemplated in section 12 (1) (b) of the Act, as well as full particulars as to how such amounts are made up.

(b) The address to which you desire that further documents in connection with the expropriation should be posted to you.

Dated at Johannesburg this 10th day of November 1980.

H. J. L. DU TOIT, Deputy-General Manager.

Address. General Manager, South African Railways and Harbours, Private Bag X47, Johannesburg, 2134.

(28 November 1980)

binne 60 dae vanaf die kennisgewingsdatum aan my by die adres hieronder gemeld 'n skriftelike verklaring te lewer of te laat lewer waarin die volgende aangedui word:

(a) Wat die totale bedrag is wat u as vergoeding eis en hoeveel van daardie bedrag onderskeidelik vergoeding vir werklike geldelike verlies en vir ongerief verteenwoordig soos in artikel 12 (1) (b) van die Wet bedoel, asook volledige besonderhede van hoe daardie bedrae saamgestel is.

(b) Die adres waarheen u verlang dat verdere stukke in verband met die onteiening aan u gepos moet word.

Gedateer te Johannesburg op hede die 10de dag van November 1980.

H. J. L. DU TOIT, Adjunk-hoofbestuurder.

Adres: Hoofbestuurder, Suid-Afrikaanse Spoorweë en Hawens, Privaatsak X47, Johannesburg, 2134

(28 November 1980)

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NOTICE 854 OF 1980

DEPARTMENT OF FINANCE

THE AFRICAN BANK LIMITED.—NOTICE IN TERMS OF SECTION 12 (1) OF THE BANKS ACT, 1965

With effect from 12 November 1980 The African Bank Limited, was registered as a general bank. Its provisional registration was cancelled with effect from the said date.

(28 November 1980)

7311

KENNISGEWING 854 VAN 1980

DEPARTEMENT VAN FINANSIES

THE AFRICAN BANK LIMITED.—KENNISGEWING INGEVOLGE ARTIKEL 12 (1) VAN DIE BANKWET, 1965

Met ingang van 12 November 1980 is The African Bank Limited, as 'n algemene bank geregistreer. Sy voorlopige registrasie is met ingang van genoemde datum ingetrek.

(28 November 1980)

STAR 28/11/80

(S.A)

Anglo more than doubles interim income

By Geoff Shuttleworth

Anglo has more than doubled its interim earnings and the interim dividend has been increased from 25 to 35c a share.

In the six months ended September 30 taxed profit rose to R279 million against R136-million equivalent to earnings of 115,5c a share compared with 53,6c before.

While most analysts did not expect earnings to double in the first six months, the dividend is in line with market expectations.

Comment from the Anglo directors reinforces the analysts' views by noting that even if the gold price is maintained in the next half, profit is not expected to rise at the same rate as during the first half.

The reasons cited include investment income not accruing evenly during the year, the realisation of investment fluctuates in accordance with policy decisions and market conditions and certain costs, particularly those incurred on prospecting vary materially from time to time.

Anglo said that a net amount of R2,4-million was charged against retained profits for the year ended March 1980 as an extraordinary item.

Full provision has been made up to March 1980 in respect of all amounts invested in Cleveland Potash and further provision will probably prove necessary as an extraordinary item in respect of amounts invested during the current financial year which at the half way stage amounted to R19,1-million.

Last year Anglo paid a total of 70c a share and analysts are looking for a minimum of 100c for the full 1981 financial year.

The most optimistic are angling for a 115c total which puts the share, now at 1930c, at a prospective yield of nearly 6 percent.

The only interesting aspect of the interim figures is that tax was virtually unchanged at R12,6-million from R12,2-million the previous period.

The market value of Anglo's listed investments, in line with its own results, have almost doubled to R8 016-million from R4 066-million.

BANK CHARGES (58)

The last ditch FM 28/11/80

The banks, effectively the big five that dominate the inter-bank cartel, are close to tying up — for the second time this year — an agreement that will see the end of ledger fees on current accounts.

This "close" must be read advisedly — the banks have been working at the problem for four years. But the reform of the monetary system, presaged by the expected De Kock Commission report on the subject early next year, provides an extra immediate impetus.

In any event, bank sources admit that they are gearing themselves in a number of ways to the new dispensation.

In the face of the difficulties experienced by the prime movers of the new charging system in getting any kind of agreement at all, they are understandably reluctant to comment. But it seems that the abolition of ledger fees will go hand-in-hand with the abolition of free clearance areas, and with a new minimum charge structure on other bank services.

The free clearance area system, whereby cheques issued in the areas geographically closer to the central clearing mechanism do not attract clearance charges, is a relic of the days when communications were slow and expensive. So these payment differentials will disappear.

The revenue losses sustained by the banks as a result of the abolition of ledger fees will also be compensated for by changes in the charge structure on such things as transfers. And at the same time the minimum charge stipulations of the Register of Co-operation (Roco) on a variety of bank services will be changed to reflect more modern and more realistic revenue needs.

The new minimum charge structure, nonetheless, is reckoned to undercut these revenue needs, so the banks would not necessarily keep to the floor. And this flexibility, it is understood, will have a constitutional place in the agreement, which is a departure from the old system.

The overall implication is that Roco is changing its feathers and becoming something less like a rigid cartel and more like "an informal basis for an orderly market", as one banker puts it. Whether this constitutes a voluntary adaptation for the purpose of survival, or another nail in the coffin, is unclear.

Anglo interim profit R260m

By HOWARD PREECE
Financial Editor

ANGLO American Corporation has achieved a soaring increase in half year taxed attributable profit to R260 600 000 from R120 [illegible] in the 1979 period. The interim dividend has been raised by 25% from [illegible] to [illegible].

The Anglo figures may give renewed heart to the Johannesburg Stock Exchange which has been flagging a little in recent weeks.

Pre-tax profit almost doubled for the six months to September 30 to R291 600 000 from R148 200 000.

A virtual standstill in tax — from R12 200 000 to R13 600 000 — had a powerful gearing effect on ordinary earnings.

The jump in earnings a share was to 115,6c from [illegible].

There was a fractional increase in the issued ordinary shares to 225 842 844.

The market value of Anglo's listed investments stood at a shade over R8 000 million on September 30 compared with R4 066-million a year before.

COMMENT: Mr Harry Oppenheimer and the directors warn that earnings are unlikely to show the same growth in the second half of the year if gold remains around the present level.

They say, however, that they will show "a substantial improvement" over the second half of last year.

The directors also point out that:

- Investment income does not accrue evenly throughout the year.
- The realisation of investments fluctuates according to circumstances.
- Some costs, notably on prospecting, vary widely from time to time.

Although the profit figures are not unexpected in the light, above all, of the gold boom and also of the general boom in business, they are still striking in their impact.

It seems amazing, as always in retrospect, that the shares were languishing around 450c just over three years ago.

This year they have been over R20 although they were narrowly easier at 1930c yesterday.

Last year Anglo paid a final dividend of 50c to make a total of 70c.

Even with the reservation about likely lower earnings growth in the second half of this year compared with the first, there must be a good chance of a final payment of around [illegible] to make a total of 110c.

That would the put share on a prospective yield of 5,7%.

For the overseas investor, with the financial rand discount around [illegible], the yield is more like [illegible].

Those who believe in gold and in the economic outlook for South Africa may find that tempting for portfolio investment — if they do not already a large Anglo ration.

Barclays, Bowring merger

Deputy Financial Editor

SOUTH AFRICA'S two biggest insurance broking companies, Barclays Insurance Brokers (Bibsal) and CT Bowring & Associates, have concluded a merger that will create a broking giant with premium income of more than R100 million a year.

The company will be named Bowring Barclays & Associates Holdings (SA) and the shareholdings will be held equally between Anglo American, Barclays and CT Bowring of London.

The chairman will be Mr D G Nicholson, the deputy chairman, Mr I G MacGregor, and the managing director Mr [illegible] Fabian. Others on the board are Mr A P Aldworth, [illegible] P Bennett, Mr [illegible], Mr J [illegible], Mr M [illegible] and Mr J [illegible] Stanton.

Mr [illegible] Dunlop, present managing director of Bibsal, has been appointed deputy managing director of the operating company until his retirement to assist in implementing the merger.

A statement by the parties says the merger will set up a [illegible] with worldwide connections through the international Bowring and Marsh and McLennan groups as well as the [illegible] of Barclays [illegible].

Main benefits of the deal to Barclays are that it obtains management, an international spread and greater penetration in the short term [illegible] Bowring gains access to Barclays branch network and its penetration on the [illegible] side.

The deal also suits Anglo, which has held significant stakes in both Barclays and CT Bowring and is on a [illegible] drive.

Dain [illegible] 28/[illegible]

SHORT-TERM INSURERS FM 28|11|80

No signs of fair weather

58

It is common cause that the short-term insurance industry has been drifting through the doldrums for more than two years. The extended run of rate-cutting has now reached the point where large buyers of insurance are able to rewrite their insurance contracts at premiums 50% or more below last year's rates. Nor are there any signs of this momentum declining.

Most of the rate-cutting has taken place in fire business, a major operational area for companies such as Mutual & Federal, though claims have not been heavy. But the motor sector, where insurers have generally been able to at least maintain rates, has experienced both a higher incidence of claims and severe inflationary pressures, which have pushed up the cost of repairs.

These trends have not yet caused any major upset in the industry, but this is partly because of a fluke absence of large claims in the major commercial industrial sector.

At the same time, insurers have had the benefit of the JSE's record-breaking bull trend. Rising investment income has allowed them to cover underwriting losses or reduced surpluses. The extent to which this has happened has varied. There are, of course, companies, such as Assura (holding company for Santam), which tend to rely more heavily on fixed interest stocks rather than ordinary shares.

There is also a noticeable tendency in the short-term insurance market for profitability to contract when the general business cycle is rising. When the current economic resurgence cools, they say, underwriting surpluses should re-emerge as the private sector attempts to protect itself against loss. This time, however, the switch is not expected to be forceful enough to lead to a marked upward trend in underwriting results.

In the case of **Mutual & Federal**, for instance, despite increasing gross premiums from R89,4m to R102m over the year to June 30 1980, rate cutting and the rising cost of claims has slashed underwriting profits from R4,9m to a meagre R715 000.

But investment income was up from R4,8m to R6,5m over the same period and the group, effectively 40% held by Old Mutual, paid a total dividend of 52c (44c), with only slightly reduced cover.

Though the JSE's advance has slowed since June, investment income should be maintained and, on this consideration, the share looks attractive on a prospective dividend yield of 8,5% at the current 720c.

Protea Assurance also strongly reflects the reliance of the industry on the stock market, as well as highlighting the influence of foreign control. Held 74% by Sun Alliance of the UK, the group shows a 1979 solvency margin of almost 80% (against a 50% to 60% industry average), but in the six months ended June 30 this year, taxed earnings dipped by almost R200 000 to R577 000.

Investment income allowed the interim payout to be maintained at 3,5c, but an increase on last year's final 8,5c payout is most unlikely under present conditions.

At 150c, the share yields a relatively slim historic 8%, reflecting, perhaps, not so much market confidence in the company's near-term performance as longer-term apprehension.

SA Eagle, has been re-rated by the market over the last couple of months and the share now offers an historic yield of 6% at 500c.

The re-assessment is presumably based largely on growing investment income, rather than underwriting surpluses. But it is significant that, with the backing of the UK's Eagle Star, the insurer's financial base is strong. Its solvency margin in 1979 was just under 90% and technical reserves were over 75%.

Profitability, at the same time, could also improve in the near future as motor insurance rates rise further. The release of the R36m capital tied up in African Eagle Life for more profitable ventures could also be a sweetener.

SA Eagle has also managed over the past couple of years to perk up its profitability by taking on high quality reinsurance from abroad. But this quality could also suffer as the worldwide trend worsens.

A total dividend for 1980 in the region of 36c is in sight, putting the share on a prospective yield of 7,2% which is fairly fully priced.

Constantia has also been re-assessed by the market, but the price has fallen. The

P.T.O.

balance sheet is significantly stronger than it was in the old Marine & Trade days and the solvency margin has clawed its way back to a respectable 21% compared with 11% a couple of years back.

However, after having dragged underwriting profit back into the black in the last full year, income from this source again slipped into a R438 000 deficit at the halfway stage (R128 000 — surplus)

But investment income almost doubled to R681 000, partially because of the sale of the company's stake in Nedbank Mall, and pre-tax profits were 10% up at R243 000.

An 8c dividend for the current year is in sight (on investment returns but not on underwriting profits), given the momentum that the management revamp should continue to give to organic growth and the possibilities of a take-over by the company (probably not involving another listed insurer).

But the prospective 6,4% dividend yield at the current 125c share price ranks the share, apparently somewhat over-optimistically, as being a better deal than SA Eagle or M & F and presumably reflects the Kirsh connection.

A regrouping in the industry might place some insurers in a more advantageous position. But it is not so much economies of scale from merging one underwriter with another that is the point.

The most likely associations are along various financial axes, which could indicate a company such as Assura, clearly linked through Santam to Sanlam, moving into unquoted Aegis, at present owned by Switzerland-headquartered Winterthur. Local insurers' links with banks and the tied business which results, generate yet another financial axis along which further realignment of the industry could take place.

But all in all, the experts say, alliances may be expected to be formed between those companies with powerful backing and those without, rather than between the quoted companies themselves. "It's a trade-off" says one, "between pride and profits."

One company which has already been formed out of a merger is Guardian National — a combination of the previously unlisted Guardian and the listed Unsbic — and with increasing links with Standard Bank the amalgamation highlights the importance of the financial axes.

Last year's figures from **Guardian National** (formerly Unsbic), of course, have been outdated by the merger. But it is the dividend policy announced by the group at the time of the deal which is indicative of the conditions in the industry at present. The group said that it will in future pay out some 65% of earnings, provided, and this is the key phrase, that this does not exceed investment income.

The share stands at 375c at present, offering a prospective yield of 7.5%.

Also relatively new to the market in its current form, but already reflecting the advantages of a strong backer, is **Commercial Union** (Cusaf), owned 45% by Commercial Union in the UK and 30% by GFSA. One of the side-effects of this is its healthy solvency ratio of almost 80% for 1979 and a good spread of business, both short-term and life.

The company lost ground in 1979, partly because of a relatively small rise in investment earnings, though it beat the prospectus dividend forecasts. And in the six months to June 30, as a result of badly cut underwriting profits, pre-tax profits slipped by R600 000 to R2,4m.

The market was not impressed and the share price has advanced only marginally since then. With dividends for the current year hardly likely to improve on 1979's 22c, the prospective dividend yield at 295c is a comparatively slim 7,5%.

Some hope for amelioration of the industry's problems is expected from the advisory committee on short-term insurance under Registrar of Financial Institutions, Wynand Louw, which sat for the first time recently.

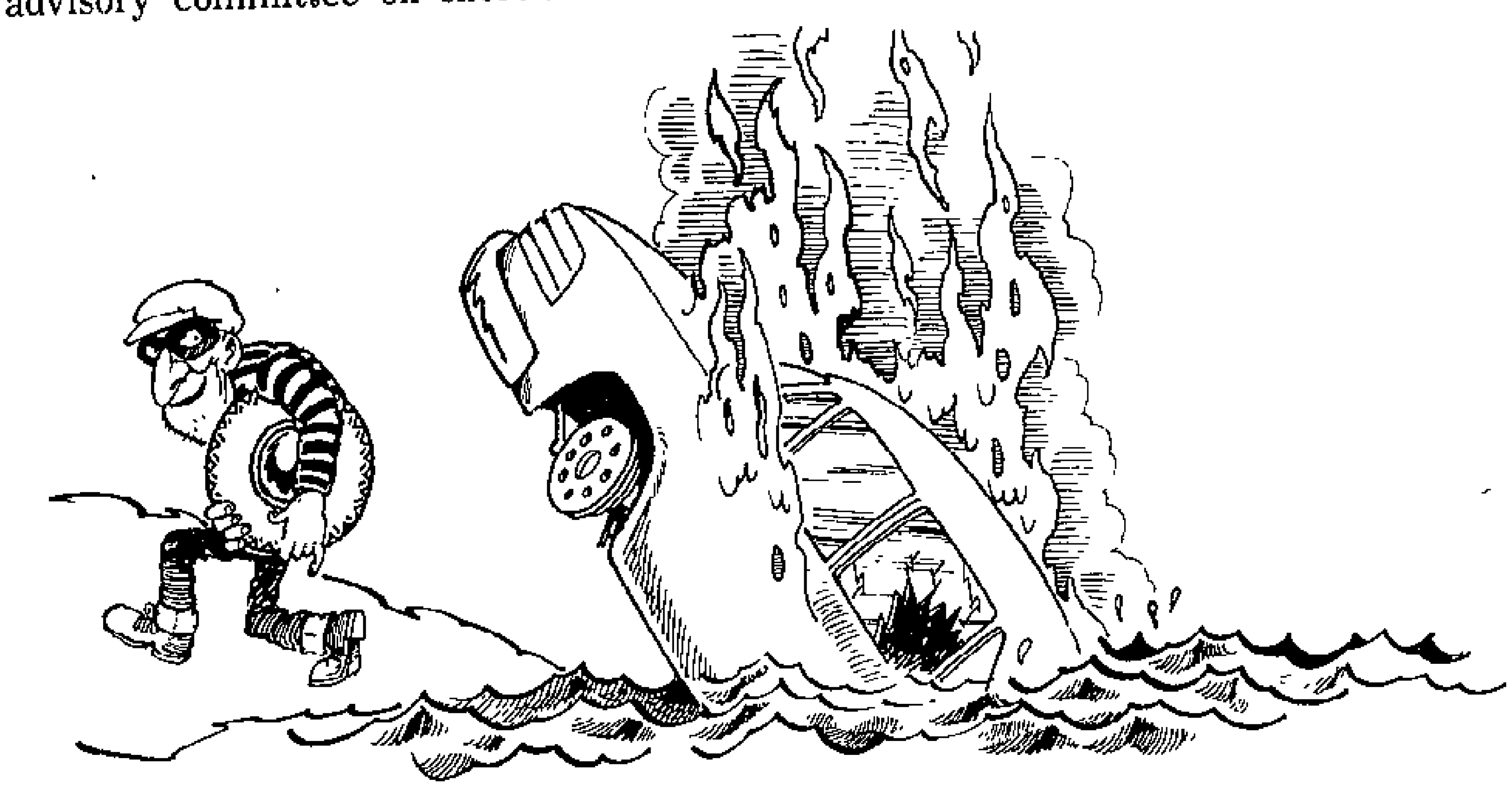
The committee is studying solvency margins among other aspects and the possibility of increasing the requirement from the current 10% to 15%. A couple of years back, this would have embarrassed a number of companies, but now most are temporarily secure in this area.

The Registrar is also apparently considering the possibility of restraints on the reinsuring of local risks abroad. However, there is a strong school of thought which says that restraint on overseas reinsurance would amount to protection for the local industry, which would be unlikely to curry favour from either local purchasers of insurance or from overseas markets. Though foreign reinsurers have been blamed for SA's excess capacity, protecting the local industry by reducing opportunities for reinsuring abroad could deprive local companies seeking cover of cost and innovative advantages not available here.

IGI's Michael Lewis is a strong campaigner for such a move. His company is locally-owned and one of the smaller companies on Diagonal Street in terms of premium income. In addition, it was one of the instigators of the rates war, which has resulted in some general lowering of overall risk quality. In the six months to end-September, the company increased gross premium by 48% from R18m to R27m (*Fox* November 14) and taxed profit from R552 000 to R834 000.

A final dividend of 6c for a total of 10c is on the cards for the full year, offering a 10% prospective yield.

However, if this is seen as attractive, then the holding company, **Hosken**, must be considered even more so on an historic yield of 10,7% and a wider earnings base than IGI itself. But investors ought to be wary of the extent of its interests in insurance broking. This share, at the current 135c, offers a prospective yield in the region of 11,5% which, even with the patchy profit history of IGI itself, must make it attractive to some.



Assura, the largest single short-term insurer on the local market, also offers some attraction at the moment with the price fairly well off the year's high at 84c on an historic yield of 8,6%.

The group's profitability is dependent almost entirely on investment income at present (*Fox* November 14) and dividends are thus difficult to assess for the full year ahead. Technically, the company is one of the weakest, with a 1979 solvency margin of around 16%, although this is partly justified by the nature of its business, which requires fewer technical reserves.

The market is obviously quite aware of the difficulties of the short-term insurance sector, and the sector yields an average 6,7%. Though there may be little in the way of near-term capital growth to expect of the shares, a medium-term hold in the quality stocks could be valuable. But this has to be seen against alternative investment opportunities.

Short-term insurers are by no means out of the wood, nor, necessarily, will they be helped by protectionism. Investors who are not in the sector are perhaps best advised to steer clear until the future looks less clouded

Scott Hawker

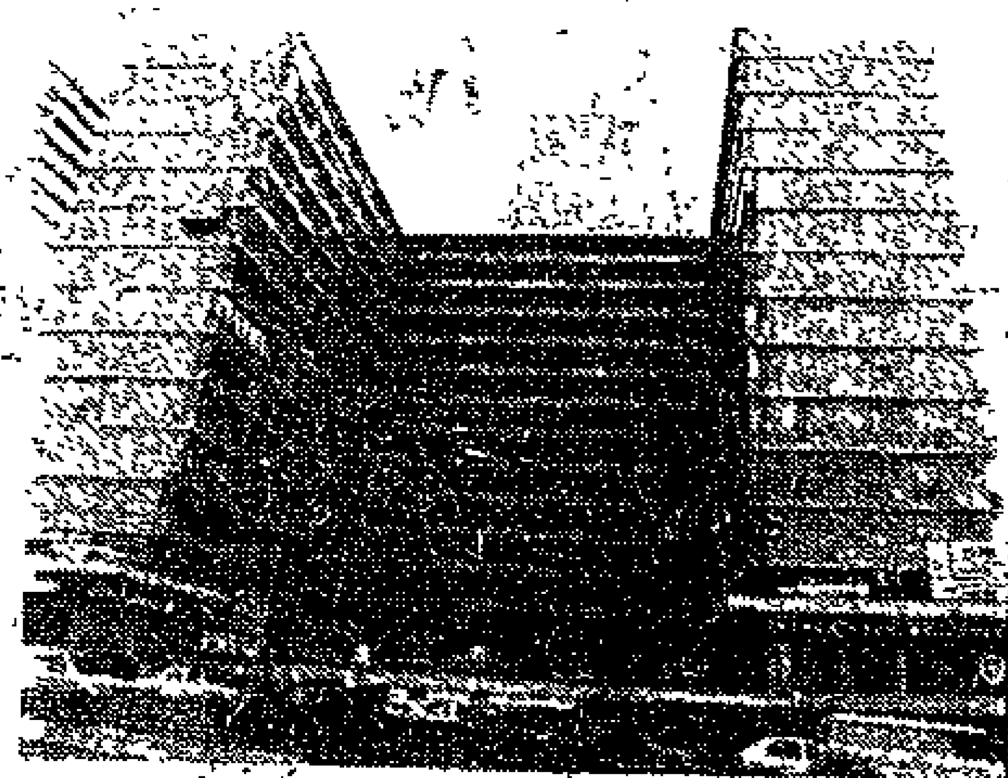
SKIPI Limited manufactures two specialised models of stereo sound equipment in one plant. Operations are grouped into four departments: cabinet making; component assembly;

Eagle secures huge Anglo property deal

58

Sun Times (Bus. T.) 30/11/80

ONE OF SA's BIGGEST PACKAGES BOOSTS COMPANY PORTFOLIO TO R160-m



Braamfontein Centre ... change of owners

By John Spira

IN one of South Africa's largest-ever property package deals, Anglo American is to sell a large number of strategically situated properties to African Eagle Life Assurance Society for R40-million.

The transaction swells the value of African Eagle's property portfolio to R160-million — fully 20% of its total investment portfolio of R800-million.

The purchase consideration is being satisfied by the issue to Anglo of African Eagle's controlling interest in Sorec and is part and parcel of the transaction whereby Sorec will become a wholly owned subsidiary of Amaprop (see Page 2).

The properties acquired by African Eagle are Braamfontein Centre (the shop and office block in Braamfontein, Johannesburg), Field North (also shops and offices in Braamfontein), Zambesi House (the shop and office building adjacent to Carlton Centre), Opera Plaza (the shopping complex in Pretoria's CBD), Sanso Centre (the CBD shop and office complex in Cape Town) and Kenilworth Shopping Centre (Cape Town).

In addition, African Eagle acquires from Anglo its 14.3% share in Shell House, the prime CBD office development in Cape Town, thereby making Shell House 98% owned by African Eagle.

The new properties will provide African Eagle with 47 169 square metres of shopping space, 31 430 square metres of office space and 107 apartments.

An additional 12 000 square metres of offices are to be built on the Opera Plaza site — an expansion which will now be funded by African Eagle.

Anglo property kingpin Gerald Leissner tells Business Times: "During June 1980 African Eagle and Sorec entered into an agreement to rationalise their respective property portfolios so that each party would be in a far better position to regulate its affairs without having to consider other shareholders whose interests do not always coincide with those of African Eagle.

"The rationalisation gave African Eagle greater control over valuable office complexes, mainly in Johannesburg (11 Commissioner Street, Damelin Centre, Life Centre and Total House) and also in Cape Town's Shell House.

"African Eagle also acquired two valuable CBD redevelopment properties — one in Johannesburg and one in Cape Town."

He adds that, since the rationalisation, African Eagle has further developed this policy of gaining complete control of its property interests by acquiring Barclays Bank's 20% share in Life Centre.

It was an acquisition which made the R40-million Life Centre 100% owned by African Eagle.

"The agreement to dispose of Sorec shares in exchange for 100%-owned properties further enforces the policy adopted," says Mr Leissner.

The African Eagle-Sorec deal appears to have been inspired by other motives in addition to the African Eagle desire to obtain 100% control of all the properties under its belt.

Although Mr Leissner declined to confirm it, the deal makes a good deal of sense for African Eagle from the viewpoint of reducing its tax burden.

Prior to the deal, African Eagle would have participated in the income earned from the properties it has acquired via dividends received from its holding in Sorec.

However, it would have had to [illegible] it at a low [illegible] on such dividends, which means that the rental income would have been taxed twice.

Accordingly, by acquiring the properties directly, African Eagle's after-tax return on its investment will increase.

The African Eagle property purchase comes hard on the heels of the news that SA Eagle is to sell its 25% holding in African Eagle to Anglo American Insurance Holdings for R36.1-million to give the latter 100% control of African Eagle.

This appears to be an extension of the Anglo group's policy of obtaining 100% ownership of all its insurance interests and for such interests, in turn, to fully own its property investments.

SA borrowing more from world markets

From The Guardian

LONDON — International borrowing by South Africa has been growing at a much faster rate than generally appreciated.

After a slow-down in foreign fundraising in the wake of the Soweto uprisings in 1976, South Africa had reportedly made a cautious return to capital markets in 1979 and 1980.

But, according to new statistics from anti-apartheid groups, this understates the facts by a sizeable margin, with South Africa raising money on 16 separate occasions in 1980 alone.

The feature of South Africa's fundraising on international capital markets has been the relatively small sums borrowed each time.

For example, the latest loan — a private bond issue for the Escom electricity utility — puts a bare R12m into Pretoria's coffers.

MOTIVES

Such modest sums can be set against South Africa's strong economy, with a projected 1980 growth rate of 8 percent, massive inflows of capital because of the gold price strength and a balance of payments surplus of at least R3 000 million.

This prosperity when measured against the modest funding programme adds weight to the belief that South Africa's motives for raising money are not entirely financial.

The general view is that while South Africa does not immediately need to raise extra funds, it may in future need the support of the international banking community. Raising money now at a time of financial strength will enable the Government in Pretoria to extend its obligations and tie itself closer to foreign banks and governments through the role of debtor.

Outside the sophisticated bush telegraph of the international banking community, South Africa's fundraising has appeared cautious and modest.

Whereas the 250m dollar syndicated loan and DM125m Eurobond issue in the late European summer drew the South African into public gaze, a further nine separate loans have been raised privately. A further nine had been raised privately in 1979.

Ostensibly the syndicated credit and the D-mark bond were seen as proof of South Africa's rehabilitation on capital markets following Soweto.

However, it is not clear that judging by the rate of borrowing in the past 18 months, South Africa has in fact needed to rehabilitate itself.

The list of banks involved in funding Pretoria in the past "quiet" year and a half includes Barclays, Hill Samuel and Standard Chartered of Britain, Citicorp of America, Swiss Bank, Credit Suisse and Kreditbank of Switzerland and Deutsche Bank, Dresdner of West Germany.

2/12/80 S(TM) (58)

Fourfold increase

The bonus share issue announced by Putco last week will have the effect of increasing fourfold the shares held by existing shareholders in the company.

The issue will not affect the net worth of the company but the increased dividend payout should help to boost confidence among investors.

The bonus share issue has not yet been approved by the shareholders. This is expected to be done sometime in February.

In recent weeks the stock market price of Putco shares has risen from 140 to 410c a share, an increase of 193 percent.

Legless man legged it

LONDON — A legless cat burglar known as "tin legs," who escaped from Bracknell police station by sawing through bars, must have hidden getaway implements in his alloy limbs, police said after recapturing him. — Sapa-AP.

Higher bond rates seem inevitable

(58) Com 3/12/80

Deputy Financial Editor

THE Association of Building Societies is reviewing mortgage loan rates and its deputy chairman, Mr Hendrik Sloet, told the Rand Daily Mail yesterday that higher rates were almost inevitable.

Mr Sloet said current fluctuations in interest rates were complicating the matter but rates could rise by 0,5%, 0,75% or even 1%.

A 1% rise on a R30 000 mortgage would come to over R20 a month in additional interest.

Because building societies are obliged to give borrowers a month's notice before increasing rates, the earliest rates can be raised is February 1981.

Mr Sloet denied rumours that building societies had a cash flow problem because they had lent money for long periods against short term deposits and that mortgage loans granted were due for a sharp fall.

The building societies' holdings of prescribed assets would ensure that loan funds were still available, he said.

Several market watchers have forecast that mortgage rates were due for a prolonged steep rise and that a shortage of mortgage funds could depress or freeze property values during the next year.

● See Page 16

Big mortgage rates increase expected

4/12/80 RDM 58

By ALEC HOGG

BUILDING societies decided yesterday to increase their mortgage rates by a massive 1,25% across the board, according to reliable sources.

AMOUNT OF BOND	PRESENT RATE (%)	PROPOSED RATE (%)
UP TO R10 000	9	10,25
R10 000-R15 000	9,25	10,5
R15 001-R20 000	9,5	10,75
R20 001-R25 000	9,75	11,0
R25 001-R30 000	10,0	11,25
R30 001-R40 000	10,5	11,75
OVER R40 000	11	12,25

The size of the proposed increase is a surprise.

But it is subject to approval by the Minister of Finance, and it is likely that he will suggest a more moderate rise.

An official announcement by the societies is expected tomorrow, and because of the one-month notice required, home-owners will have to start paying the higher rates from early next year.

If the proposed increase is authorised, someone with a R30 000 loan, for example, at present paying off R300 a month, will find his instalments rising by R37,50.

This will mean an additional interest charge of R450 a year.

Some observers felt the size of the proposed increase was a bargaining posture and that the societies would settle for less.

The deputy chairman of the Association of Building Societies, Mr Hendrik Sloet, said that although higher mortgage rates were inevitable, the rise would probably be between 0,5% and 1%.

the proposed increase follows forecasts by economists of a rise of between 1,5% and 2% within the next year.

Higher mortgage rates will mean wider profit margins for the building societies.

They have been hit hard by rising interest rates in the financial markets, and as the cost of money becomes dearer, some of this has to be passed on to borrowers.

At the societies' annual meeting on October 29, the outgoing chairman, Mr Jim Dodds, managing director of the Allied Building Society, said the societies' operating margins were "at an untenably low level — a level which allows them little room to manoeuvre".

He suggested that "in all fairness", the societies should perhaps divert some of the sympathy they felt for borrowers towards those who save and invest — "especially our senior citizens".

Building societies mum on mortgage increase

Star 14/11/80

By Marion Duncan

The Association of Building Societies today refused to talk about reports that societies decided yesterday to increase mortgage rates by 1,25 percent across the board.

But sources in Johannesburg building societies said the information was correct.

They said the 1,25 percent figure had been reached as a bargaining counter, so that the association could go to the Government and probably obtain an increase of one percent.

This was "more or less" what the societies wanted.

Contacts in the societies said the mortgage rate rise could be attributed to two factors:

- The mounting problem faced by building societies in competing with banks for investments from large institutions.
- Increasing building costs coupled with inflationary housing prices and a projected drop in credit availability in 1981.

Building societies have been becoming steadily less attractive to large investment from institutions (which constitutes a major portion of society business).

In addition, the easy availability of money over the last few months was a "short-term trend" which had encouraged inflation in the pricing of housing. This, together with the accommodation crises which was forcing people to buy rather then rent, had placed a heavy burden on the lending facilities of building societies.

Credit would certainly be more difficult to obtain in the new year as a result.

The proposed increase would further stimulate the unacceptably high inflation rate, Mr Harry Schwarz, MP, Progressive Federal Party finance spokesman, said today.

Mr Schwarz called on Minister of Finance Senator Horwood to insist the building societies introduce the increase gradually.

"He should also insist that the building societies should introduce a differential scale of increases with people with smaller bonds being faced with smaller increases."

Mr Schwarz said the proposed increase meant Senator Horwood should devote more of his time to controlling the exceedingly high inflation rate, which was running at 16 percent.

Mr A F V Viljoen, president of the Association of Building Societies, today denied a mortgage rate increase was on the cards.

Other building society chiefs confirmed, however, that a package of proposals had been sent to the authorities.

They said a mortgage rate rise would not mean that borrower's insetalments would rise. In most cases the bond repayment period would be lengthened.

Messina profits up almost 400%

T.Inc 5B 24/11/80

By Mervyn Harris

Industrial and mining group Messina boosted its taxed profit almost fourfold from R5,51-million to R22,03-million in the year to September.

Earnings a share were up from 53c to 199c a share and would have been higher if the directors had decided not to deconsolidate certain foreign subsidiarie,

The decision not to deconsolidate the results of foreign subsidiaries situated in countries where the transfer of funds was restricted had the effect of reducing earnings by 27c a share.

The results only include dividend received from these subsidiaries.

The holding company and certain industrial subsidiaries also changed the basis of valuing inventories by adopting the life system of accounting.

The effect of this change and coupled with increased depreciation on industrial buildings reduced net income by a further 22c a share.

Two years ago the company had a loss of R6,4 million and the sharp turnaround in the company's fortunes could be mainly attributed to the boom in the car industry.

Its motor interests include Datsun-Nissan and contribution to profits of this sector should be maintained in the current financial year.

Building societies not to up rates

5.12.80 (56) EOM

CAPE TOWN. — There was no intention to raise mortgage interest rates, but loans would be limited in future, the president of the Association of Building Societies, Mr A F Viljoen, said yesterday.

In Cape Town on a visit, Mr Viljoen denied Press reports that his association was considering raising mortgate interest rates by up to 1,25% shortly and that his executive committee would meet Government officials this week to discuss the rise.

"We meet monthly to look at interest rates throughout the money market, but have decided nothing in regard to any change in interest rates," he said.

"The building society movement is pulling in satisfactory amounts of money.

"However, it is no secret that the Government wishes to reduce liquidity in the country. If that is so, then banks, building societies and trust companies will find their field of operations limited.

"Again the present building society interest rates for investment are facing competition from other investment sources and the flow of money into the movement from financial institutions will be affected. But so far the inflow has been excellent," he said. — Sapa.

BANK CARTEL

Thumbs in the dike

(58) FM 5|12|80

Stiff grey market competition — or disintermediation as banks call it — has led to a sharp retaliation from all the banks. Last week they formed an enlarged banking cartel — but a very shaky one.

The meeting at which the agreement was made was called at the instigation of UAL managing director Johan Nel in his capacity as chairman of the Merchant Bankers' Association. Nel claims the merchant banks have become increasingly worried about the state of the banker's acceptance market, upon which the foundations of their businesses are traditionally based. As it is subject to capital and reserve requirements like all conventional bank lending, the BA has been unable to compete with more recent arrivals in the paper market, such as trade bills and promissory notes.

The smaller banks have been particularly aggressive in promoting the newer kinds of paper, which have enabled them to encroach onto the market shares of the bigger banks, the capital bases and client relationships of which they cannot match in more conventional forms of lending. They have, it is said, run up huge contingent liabilities through bill endorsement the amount of which has led bankers to question their ability to meet their commitments when the market tightens, which is already happening.

The large commercial banks, which were bound under their own cartel, the Register for Co-operation (ROCO), to minimum discount rates on all market paper, retaliated at the end of October by tearing up the discount stipulations of ROCO. They then entered the market with all their resources to do battle with the smaller banks and regain their long-established market dominance.

The other threatened instrument is the overdraft. The minimum overdraft lending rate is tied to Bank rate and now stands at 9.5%. The low money market rates which have prevailed for the last two years have made it far cheaper to borrow by creating and selling paper, the forum for which is informally known as the "grey market". So overdraft business has suffered, and been further wounded by the recent practice of making very short-term loans at rates far below OD rate.

The picture is of a market that has lost its head and bankers, significantly, do not deny it. But the recent sharp rise in short-term rates has narrowed the rate differentials within which all this has flourished. So the prospect of a return to normality, say bankers, precipitated the need for self-imposed order.

Nel rejects the term "cartel", and is reluctant to even speak of an agreement. "Essentially what has happened," he says, "is that I have been authorised to recommend that all the banks operate under the same constraints as a means of protecting our two premier lending instruments."

But to the extent that this authorisation involves a minimum pricing structure, and an attempt to preserve the shape of a market rapidly being changed by market forces, there appears to be at least an agreement and at most something that looks suspiciously like a cartel in evolution. It differs from ROCO, however, in one important respect and that is that all the banks are involved. ROCO, by contrast, is restricted to the large clearing commercial banks.

The most important aspects of the agreement cover three areas:

- Money market paper, specifically bankers acceptances and promissory notes, will not be discounted at a commission rate of less than 1.5%. The original commission on acceptances laid down by ROCO was 1.8%. This was eschewed in October when commissions offered by the smaller banks on competing promissory notes were said to have fallen as low as 0.5%. The trend spilled over into the acceptance market, where below-ROCO rates preceded by some time the latest inter-bank agreement. This latest agreement means that promissory notes as well as acceptances have been brought into the ambit of inter-bank control. In effect, as Nel points out, commission rates on off-balance sheet financing have been standardised to make all the banks equally competitive.
- No cash advances for periods of less than 365 days will be made at a rate lower than the minimum lending rate of 9.5%. This does not refer to off-balance sheet lending through the grey market, but to advances that go through the banks' books. This, according to bankers, is specifically aimed at the corporate market, where by November short-term advances backed by call-deposits were being made to blue-chip clients for as low as 5.5%.
- The minimum commitment fee will be 1%. This is the fee paid by a prospective borrower for the establishment of a credit facility, utilised or not, quoted as a percentage of that facility. Back-up credit facilities are a natural accompaniment to borrowing through the grey market, which means the 1% fee will have to be added to the cost of this borrowing. This, says, Nel, will hopefully bring the cost of grey-market borrowing more into line with conventional OD borrowing, and reduce its comparative attraction accordingly.

Johan Nel . . . retaliating to cut-throat competition

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INSURANCE BROKING

Incestuous marriage

FM 5/12/80

The much denied and long expected merger between Barclays Insurance Brokers (Bibsal) and Bowrings eventually came to fruition last week. The new company will be called Bowring, Barclays & Associates. But happy as shareholders might be, the event does underline a trend about which upholders of free competition might have misgivings.

Bland press releases provide no real explanation for the merger. They refer to the "international clout" of SA's first "megabroker" (although most brokers think Priceforbes Federale Volkskas is larger in terms of size and premium income, estimated at R160m to the megabroker's R150m) and the "marketing opportunities of the country's biggest bank with acknowledged insurance broking skills".

The last of these reasons offers some inkling of the probable rationale behind the merger.

Bibsal is one of the most rapidly expanding insurance brokers in the country; a growth which, if most of those interviewed by the *FM* are to be believed, owes its impetus to Barclays Bank "encouraging" customers and underwriters to give Bibsal their business. At any rate, Bibsal's net profits rose by 432% from R244 000 in 1977 to R1,3m in 1979.

However, with only some 50% of its premium income derived from short-term business, Bibsal wants to develop its corporate insurance operations — doubts over the wisdom of mixing long- and short-term business notwithstanding. As a low profile performer, but with a well developed mining and industrial clientele, Bowring must have recommended itself to Bibsal, which reckons it can benefit from Bowring's skill and expertise.

The cherry on the cake is that Anglo American owns 50% of Bowrings (SA), 13% of Barclays Bank, which wholly owns Bibsal, and, after last week's SA Eagle sale, 100% of underwriter African Eagle Life and Guarantee Life. How pleasant it must be to have giant Anglo's business assured and, as a press release admits, "the marketing opportunities of the country's biggest bank."

Moreover, there is always the group advantage of handing much of the life business Bowring, Barclays & Associates gains to African Eagle or Guarantee Life.

Three of the directors of the new broker, including chairman Guy Nicholson, are also Anglo directors (or alternates) and sit on the board of African Eagle. Nicholson is also a director of Barclays.

It is the potential and temptation for tied business which is frightening. The broker's function of finding his client the most effective cover at the lowest cost could be prejudiced by the emergence of concentrations of interest such as this one. It may be good for inter-group profits but it hardly augurs well for the future cheapness, flexibility or innovative flair of the insurance market. Of course, it is not the only association of this nature, but it could have the most extensive market ramifications.

But brokers spoken to by the *FM* are not too concerned. They point out the merger reinforces existing associations. Instead, brokers think competition could be improved as the enlarged Bowrings Barclays gives other big brokers like Priceforbes a run for its money, or, as Robert Enthoven's David Way comments: "The lucrative accounts handled by Bowrings Barclays could become more vulnerable to attacks from other brokers should size lead to a reduction in personal service."

And, as Alexander Howden's Dennis Gamsy believes, the merger "is a sign of the times. The market is plagued by overcapacity, low premium rates, high overheads and falling profitability. Such mergers will occur with increasing regularity in the next few years [illegible] costs, improve efficiency and reduce overcapacity."

Gamsy also notes, however, that bigger, more powerful brokers may be able to push rates down to an extent that underwriters' solvency margins could be dangerously low.

Diluted interest

Financial Institutions Registrar Wynand Louw says the new arrangement is more satisfactory to him as Barclays no longer wholly owns an insurance broker but now has just a one-third share [illegible] in a broker twice the size of the old. He notes the law was amended this year to outlaw conditional selling where a borrower is coerced in some way to purchase insurance, and that he now enjoys full investigative powers to follow up complaints of conditional selling and refer transgressions to the Attorney General for prosecution.

But if the authorities believe that a legal sanction will eradicate conditional selling, they are strangely ignorant of the subtlety of bank-customer relationships.

ATE 'VAR (58) FM 5/4/84

Protecting a share

he opening salvos have been fired in hat is generally called, not without a egree of hyperbole, the interest rate ar.

The building societies raised their rates n fixed deposits two weeks ago followed n close order by the banks. One-year ates went to 8% from 7.5%, two-year to % from 8% and three-year to 9.5% from %. On the lending side unveiled hints uggest an imminent rise in the mortgage ate.

Bankers say that the societies, whose mortgage business commits them to having to service a relatively fixed long-term ook, generally lead the hostilities when he market is rising. The banks, being more flexible in their deposit lending relationship but wishing to maintain their xed deposit base, tend to follow. And the ame considerations, by implication, work reverse, with the banks tending to lead a falling market.

This domino principle is by now well tablished, and goes under the guise of rotecting one's market share. It does ot provide particular evidence of raging animosity between the societies and the banks, although differences of opinion do exist about what constitutes the right [illegible] Bank rate [illegible] as it applies to the banks and building societies is merely part of the wider phenomenon of an interest rate pattern which is rising overall.

The persistence of this rate pattern in the last two years gives the clue to a form of warfare more vicious and more intense than the traditional and rather gentlemanly engagement between the banks and building societies. Since [illegible] it has been restricted to the banking industry itself it can hardly be called a civil war.

Statutorily pegged to Bank rate, the overdraft lending rate has remained at a level much higher than deposit rates. Within this differential the "grey market" has blossomed, a place where borrowers and lenders have met at rates agreeable to both. Priced out of the market by their liquidity and other ratios, the banks have played a broking role, endorsing bills and running up liabilities which are contingent in the sense that they do not need capital and reserve backing.

Even in this attenuated banking activity, competition has been extremely stiff. The smaller banks plunged into promissory notes, which can be discounted without attracting reserve requirements, thus enabling commission rates to be shaved. They are said to have eroded some valued client relationships simply by offering loans at slightly cheaper rates.

So the large commercial banks hit back by swiftly untying their inter-bank agreement which had kept their commissions at minimum levels. They then charged into battle. The two largest are alleged to have launched a short-term broadside by lending at cost, simply to teach their competitors a lesson and to woo back unfaithful clients, who may have felt uneasy about it all when they weren't looking at their balance sheets. And by all accounts the counterattack was successful.

The Bankorp group is alleged also to have used Sanlam's awesome liquid resources in imaginative ways. One claim is that they were in the business of making intra-month loans at cheap rates. The borrower [illegible] would use the loan to [illegible] with other banks shortly after the beginning of the month only to have the Bankorp [illegible] called in before the month end. He would then [illegible] with the other banks over the month-end when bank liabilities were assessed. This meant that the other banks paid their dues in capital and reserve requirement against suddenly inflated liabilities and Bankorp [illegible] its profit. But that has stopped since liquidity requirements have been calculated on a daily average.

Degree of disaffection

These are only allegations, of course, but the very fact of their being made points to a high degree of disaffection. Another practice is said to be that of back-to-back notice business. Liable to high cash reserve requirements on wholesale call deposits, banks can afford to offer only, say, 2.5%, which does not excite the corporate client. But money on notice, rather than call, offers more, even if the effective period is no more than 24 hours longer. And the same money can then be lent on at the very reasonable rate of, say, 5.5%, but only to the most favoured corporate client, of course. Nonetheless, 5.5% is a long way below overdraft rate.

As some bankers say, survival demands ingenuity. "The demand in this chaotic market takes infinite forms, and the supply must meet them if we are not to fall behind."

No war has a single cause and this one is no exception. But if one is looking for a diagnosis, and thus a cure, it must surely be found in the misguided wisdom of those at Church Square who have ultimate jurisdiction over the financial system. Distorted interest rates and exchange control mean that the bloated snake of caged liquidity, anxious to digest an unpalatable meal, must chase its tail in ever smaller circles.

UK Govt will not prosecute De Beers

By NEIL BEHRMANN

LONDON. — The UK government will not prosecute De Beers for its secret acquisition of shares in Consolidated Gold Fields from October 1979 to February this year.

In August, UK Department of Trade inspectors said they were considering whether De Beers and Anglo were committing an offence when they surreptitiously bought the shares.

De Beers and Anglo bought a stake of 25%.

In terms of UK company law a company must come out in the open if it buys more than 5% of another company's shares.

In a series of complicated deals, De Beers and associates bought up to 5% and then shifted the orders into the hands of another buyer.

However, at one stage, De Beers made a mistake and bought more than 5%. The company admitted the error, but technically in terms of UK company law there was a chance that the predator would be prosecuted.

In a parliamentary answer, Mr Reginald Eyre, Under-Secretary of State in the Department of Trade, decided against any action against dealers. The Director of Public Prosecutions agreed.

Replying to a Labour MP's question, Mr Eyre wrote: "In the light of advice from leading council, prosecution proceedings will not be instituted by my department."

But the Government would examine company legislation to close loopholes. In the next Companies Bill it is expected that there will be more stringent requirements on disclosure of shareholdings.

The City recently decided to ban so-called dawn raids, where companies such as De Beers swoop down on the market and buy up shares from some parties, leaving other shareholders in the cold.

RAND MINES PROPS

58

Golden future

FM 5/12/80

Activities: *Residential and industrial township developer with primary interests in the central Witwatersrand and Witbank. Holds 100% of dormant Crown Mines, City Deep and Consolidated Main Reef. Recently started a sands retreatment programme on Crown Mines. Owns Thesens, which operates saw mills and timber plantations. Barlow Rand holds 58% of the equity.*
Chairman: *D T Watt; joint managing directors: J R Forbes, A B Hall.*
Capital structure: *12,4m ordinaries of R1. Market capitalisation: R108m.*
Financial: *Year to September 30 1980. Borrowings: long- and medium-term, R886 000. Net cash: R7,1m. Debt:equity ratio: 2,4%. Current ratio: 1,9. Group cash flow: R7,1m. Capital commitments: R50,7m.*
Share market: *Price: 870c (1979-80: high, 1 100c; low, 185c; trading volume last quarter, 672 000 shares). Yields: 5,8% on earnings; 2,8% on dividend. Cover: 2,1. PE ratio: 17,2.*

	'77	'78	'79	'80
Turnover (Rm)	20,9	20,0	21,4	31,9
Pre-tax profit (Rm)	3,3	4,1	4,9	9,3
Earnings (c)	25	29,2	34,3	50,6
Dividends (c)	14	15	17	24
Net asset value (c)	244	259	282	356

Last year was an eventful one. Not only did profit rise to record levels, but management finally gave the go-ahead to the sands retreatment programme at Crown Mines and is investigating expanding this operation and re-starting underground mining.

Last year's earnings rose to 50,5c (34,3c) from property sales and timber subsidiary Thesens. While both property and timber operations are set to maintain these record earnings in this year, the market has rated the share on a 2,8% dividend yield on gold recovery prospects.

Total property revenue in the year to end-September rose to R14m (R6,1m), while pre-tax profit was R6,8m (R3,3m). The bulk of this increase came from the sale of township land, which attracted high demand because of its proximity to Johannesburg's city centre, says chairman Dammy Watt. This year, he expects a similar level of township sales if economic conditions remain unchanged. At year's end RMP was left with 97,3 ha (138,6 ha) of saleable erven.

In addition, industrial land sales totalled 40,1 ha (8,8 ha) in 1980. RMP has added to its stock by buying Wadeville Investments, which owns 91 ha zoned for industrial purposes.

Timber and plantation subsidiary Thesens also expanded during the year with the acquisition of a sawmilling and plantation operation in Knysna. Thesens benefited from the upturn in the building industry and increased profit before tax by 15,1% to R2,4m (R2m) Since the year-end, Thesens has acquired the outstanding 75% in certain plantations in the Knysna area.

Since RMP announced it was going ahead with the retreatment of 50 Mt of Crown Mines sands for gold recovery, a further 10 Mt of gold-bearing material has been identified as viable The project,

[illegible]

RMP country . . . as good as gold

RAND NEWS

ERPM replies to attacks in Boksburg flat row

By Marion Duncan

East Rand Proprietary Mines Limited has reacted to charges from Boksburg flat residents — these flat blocks were bought by the company as accommodation for mineworkers — that ERPM [illegible] capitalistic.

The residents, most of whom have already been given a month's notice, want an extension of [illegible] to [illegible] months to enable them to find new housing. They maintain that comparable accommodation at economic rents is non-existent in the area.

But ERPM — which has bought seven blocks of flats and about 10 houses in Boksburg in the last four months — says the tenants are being [illegible].

Said Mr D. T. [illegible] Watt, company chairman: "Naturally we sympathise with the people who have been [illegible]

But [illegible] the [illegible] the Boksburg [illegible] caused by ERPM — [illegible] which the livelihood of thousands of people depends [illegible]

Accommodation on the Boksburg [illegible] at a premium and I know that we are only one of [illegible] companies looking for employee housing there.

"By buying these units we have [illegible] them illegal or unethical.

URGENT NEED

"We entered the market as buyers because we needed the accommodation urgently and because it was cheaper for us to buy than to build. [illegible] which both have a profound influence on what has happened.

"I must point out that without exception, ERPM was not responsible for giving tenants notice. We bought [illegible] accommodation [illegible] exception [illegible] In [illegible] case [illegible] all [illegible] laws that are in force."

Mr Watt said that ERPM, as a responsible employer, was simply trying to provide better housing for its employees.

The tenants' [illegible] have an [illegible] Mr [illegible] Widman, the MP [illegible] for [illegible], who has been fighting the cause of city flat dwellers for several months.

Mr Widman has written to Mr Watt, pleading that he grant the Boksburg tenants their requested extension.

In an interview earlier this week Mr Widman said ERPM had obviously taken "the cheap way out", which he called "unreasonable".

"I am considering going to the Minister (of Community Development) and [illegible] him to look at the situation [illegible] no [illegible] he could [illegible] [illegible] to help these desperate people, who have nowhere else to go."

Rates will not rise, says building society chief

51/3/68D 58 S(1872

By Marlon Duncan

Building societies do not intend raising mortgage rates in the New Year, according to the president of the Association of Building Societies, Mr A F "Boet" Viljoen.

But he said housing loans would be more difficult to obtain in 1981.

Speaking from Cape Town, where he is on leave, Mr Viljoen denied that the association had met earlier this week and decided to submit a case for 1,25 percent increase in mortgage rates to the Government.

He also denied the executive committee had met Government officials yesterday.

Mr Viljoen said: "We meet monthly to look at interest rates throughout the money market, but have decided nothing in regard to any change in interest rates.

"The building society movement is pulling in satisfactory amounts of money. November was a good month for investments, and we are able so far to grant loans effectively.

"But it is no secret that the Government wishes to reduce liquidity in the country. If that is so, then banks, building societies and trust companies will find their field of operations limited with less money available for mortgage loans.

"Again the present building society interest rates for investment are facing competition from other investment sources, and the flow of money into the movement from financial institutions will be affected. But so far the inflow has been excellent," he said.

Economists in several Johannesburg building societies remain convinced that mortgage rates will rise early in the new year, but predict an increase of one percent maximum.

Tollgate gets R11m for Shield arms

BY GAIL PEMBERTON

TOLLGATE has sold its insurance arm for R11 000 000. German-based Allianz Versicherungs AG has bought both Shield Insurance and Shield Life Insurance with affect from July 1, 1979.

In October, Tollgate — the R75-million Cape-based transport group — sold its credit arm Golden Arrow for R9 800 000. This was its second biggest profit contributor.

For the year to June, the Shields made taxed profits of R760 000. So the sale will have no material effect on earnings. The cash will initially be invested in short-term deposits, so may have a marginal effect. Tollgate's net asset value will be increased by 34c to 377c a share.

The net asset value of both insurance companies was R6 303 000, and they generated premium income of about R20 000 000.

The insurance companies have not been consolidated into the group accounts, nor were any dividends received since they became wholly owned subsidiaries in 1976. This was due to the different nature of their business, say the directors.

Allianz will, according to market sources, use financial rands for the purchase if Reserve Bank permission is granted.

The purchase establishes Allianz as the first German direct insurer in SA. A spokesman for Allianz said the company saw "excellent long-term opportunities for development in the growth-orientated and dynamic South African markets".

Tollgate is not prepared to divulge how it intends to use the proceeds of this sale, those of Golden Arrow, and of some commercial properties. A small insurance interest in the UK, Tollgold Insurance, and certain insurance agencies have also been sold.

This latest deal again fuels market rumours that Tollgate is to be split up and sold off separately, or will be subject to more bids.

Mr Jan Pickard, chairman of Picardi Investments, confirms that he is "still interested. They have now done what we wanted them to do — sell the Shield Insurance arm and Golden Arrow. By selling these arms there is now cash available to offset against the risk of the bus operation. But now that they have done that they may well decide not to sell out."

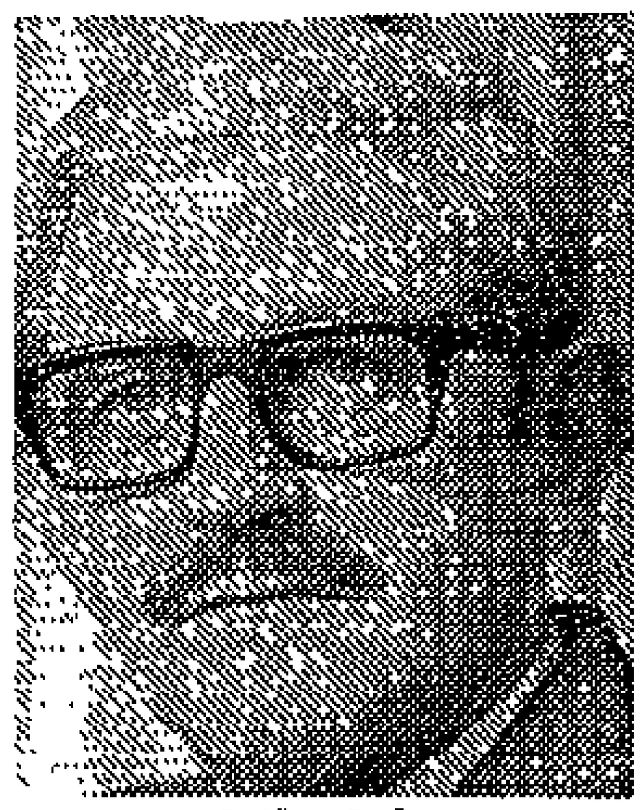
Mr Pickard is reputed to have built up a stake in Tollgate.

COMMENT: It would be difficult to sell Tollgate by division because of the political sensitivity of the main profit generator, the transport side. But the group now must have a substantial cash holding.

The two sales alone have realised over R20-million, and there is reportedly a loan account worth about R18-million to Golden Arrow, which must also be considered as short-term cash, so it is possible that the group now holds nearly R49-million in cash. This makes it a much more interesting takeover proposition.

However, the directors may well decide not to sell but to diversify. Either way Tollgate at 355c, — taking account only of the R20 800 000 received for Shield and Golden Arrow — has conservatively 130c in cash in the balance sheet.

Third party premiums may rise



Mr Hendrik Schoeman ... "premiums at 1964 level."

6/12/80 STAR

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By David Breier

South Africa may pay a new penalty for its climbing road toll through increased third party insurance premiums, the Minister of Transport Affairs, Mr Hendrik Schoeman, said in Johannesburg last night.

Mr Schoeman was addressing a banquet to mark the 50th anniversary of the Automobile Association in South Africa.

He said third party insurance was last increased sixteen years ago before the crash of two third party companies in the mid-sixties.

He said that although premiums were increased in 1975, later reductions effectively pegged premiums at their 1964 levels.

But this year the number of people killed or injured on the road increased by almost 23 percent.

"I can foresee that it will be my task to have to increase premiums in contrast to my fortunate predecessors.

"But as the motor vehicle insurance fund has a reserve of about R96-million, an increase in premiums in the near future will not be necessary although the position must be carefully watched," he said.

Mr Schoeman also warned of possible new measures to protect the third party interests of motorists, which could further increase premiums in future.

A commission of inquiry announced earlier this year will now investigate:

- The desirability of making the "balance of third party insurance" compulsory. At present it is voluntary.

This means it would be obligatory for third party insurance to cover damage to property including motor vehicles as well as injuries and death.

'No fault'

- The possibility of introducing the "no fault" rule and making this obligatory.

This rule means that a motorist at fault in an accident also receives insurance pay-outs as well as the blameless party.

- Whether the present consortium of 16 third party insurers formed after the debacle in the 1960s should be expanded to admit other companies.

Mr Schoeman also said it might be worth investigating the possibility of compelling pedestrians to contribute towards the financing of the National Road Safety Council which at present receives its income from third party insurance premiums paid by motorists.

Mr Schoeman said a large number of people in road accidents were pedestrians.

Sunday Times BUSINESS TIMES

TOP HUNDRED COMPANIES

December 7, 1980

Sunday Times BUSINESS TIMES

Top 100 Companies ratings, 1980

(Based on growth in earnings per share)

Position	Company Name	Av. Annual Compound Growth %	Previous Position Held
1	Gold Fields of S.A. Ltd	47,0	—
2	Berzack Brothers (Holdings) Ltd	45,9	8 (36,3)
3	Metro Cash and Carry Holdings Ltd	45,0	1 (43,2)
4	New Witwatersrand Gold Explor. Co. Ltd	41,5	—
5	Middle Witwatersrand (W.A.) Ltd	40,5	98 (4,2)
6	Cadbury Schweppes (South Africa) Ltd	40,4	45 (14,9)
7	Free State Development & Invest. Corp. Ltd	39,2	—
8	Gypsum Industries Ltd	38,2	—
9	New Central Witwatersrand Areas Ltd	38,1	—
10	Seardel Investment Corporation Ltd	37,9	24 (22,4)
11	Transvaal Consolidated Land & Explor. Co. Ltd	37,1	6 (37,6)
12	Dunlop South Africa Ltd	36,8	14 (30,7)
13	Anglo-Alpha Ltd	36,4	25 (22,2)
14	Consol Ltd	36,2	10 (33,5)
	W & A Investment Corporation Ltd	36,2	19 (26,0)
16	Grand Bazaars Ltd	36,1	13 (32,1)
17	Claude Neon Lights (SA) Ltd	35,7	21 (23,8)
18	Rentmeester Beleggings Beperk	35,4	12 (33,1)
19	Bakers South Africa Ltd	[illegible]	[illegible]

Glint of gold is reflected in growth

By PHILIP GLYNN

THERE are two striking morals to be drawn from this year's Business Times Top 100 Companies survey: the extent to which just one year of soaring profits can pull up an average growth rate; and the way in which the records of the mining houses have been transformed by the gold price revolution.

Last year, apart from the coal-oriented Transvaal Consolidated Land and Exploration, no mining house appeared in the top half of the list.

This year, four major mining finance houses make the first 50, with another — Anglo American, at spot 52 — only a whisker away.

The number of mining holding companies (mostly subsidiaries of the big houses, holding part of their investment portfolios) has also mushroomed — from last year's five to eight.

Companies' differing financial year-ends, and the need for a single cut-off date, also mean that the annual reports considered for this exercise may relate to financial periods ending anywhere between December 1979 and June 1980, with a few both later and earlier (mainly companies with September year-ends, whose 1979 reports were not out in time for last year's calculations, and whose 1980 reports were not out in time for this year's).

It seems that the broadening economic revival has not helped the dynamic corporate business leaders so much as the stragglers.

Last year, the average growth rate of the Top 10 companies was 38,6 percent; this year that figure has advanced only to 41,4 percent.

But, if the bottom 10 companies in the rankings are considered, a very different picture emerges.

Last year, the bottom 10 showed an average growth rate of a paltry 4,4 percent; this year, it's up to a respectable (if still unexciting) 11,2 percent.

Differing year-ends make it difficult to estimate the average level of inflation over the years covered by the survey, but it's probably up from last year's 11,5 percent to about 11,7 percent.

Only nine companies in the top 100 failed to match this, against the alarmingly high 44 last year.

The point remains that it is unsatisfactory in a growing economy for so few individual companies to outpace inflation; but, in relative terms, it's clear that the corporate sector has benefited fully from economic revival.

Considering that, in 1976, the average growth rate of the entire Top Companies was 36,2 percent, while this year's average was 23,1 percent (up from a dismal 16,4 percent in 1979), it seems that, if this boom is to match its predecessor in terms of company profitability, there should be a further advance in next year's growth rate.

Another feature of this year's listings, which largely reflects the gold boom, is the increased number of companies now members of the leading mining finance groups.

Last year, there were 20 mining house associates in the lists, excluding companies which had close relationships with, but were not formally part of, these groups.

To Page 2

	Pick 'n Pay Stores Ltd	34,1	7 (37,1)
22	Searles Holdings Ltd	33,8	9 (34,6)
23	Press Supplies Holdings Ltd	32,6	—
24	General Erection Holdings Ltd	31,3	2 (41,6)
25	Mathieson & Ashley Ltd	29,7	—
26	Kanhym Investments Ltd	29,3	71 (8,8)
27	Amalgamated Retail Ltd	28,5	23 (22,6)
28	Micor Holdings Ltd	28,4	—
29	Kohler Brothers Ltd	28,2	30 (20,8)
30	Sentrust Ltd	27,8	81 (6,9)
31	The Natal Chemical Syndicate Ltd	27,1	11 (33,4)
32	General Mining Union Corporation Ltd	26,9	54 (11,9)
33	Silverton Tannery Ltd	25,4	78 (7,1)
	Union & London Investment Trust Ltd	25,4	46 (14,5)
35	Associated Furniture Companies Ltd	25,2	69 (9,5)
36	Metals & Minerals Investment Corp. Ltd	24,8	32 (20,6)
37	Asea Electric South Africa Ltd	24,2	3 (41,5)
38	Cullinan Holdings Ltd	24,1	28 (21,6)
39	Diroyal Investments Ltd	24,0	51 (12,8)
40	Trek Beleggings Beperk	23,8	44 (15,8)
41	Chemical Holdings Ltd	23,7	97 (4,3)
42	The Argus Printing and Publishing Co. Ltd	23,5	77 (7,4)
43	A B C Shoe Corporation Ltd	23,3	26 (22,1)
44	Otis Elevator Company Ltd	23,2	5 (39,1)
45	C N A Investment Ltd	23,0	29 (21,5)
46	Shulton Africa Ltd	22,6	—
47	Highveld Steel & Vanadium Corp. Ltd	22,0	40 (16,5)
48	Consolidated Gold Fields	21,6	—
49	The Standard Brass Iron & Steel Foundries Ltd	20,6	20 (25,1)
50	The Cementation Company (Africa) Ltd	20,4	34 (19,8)
	S.A. Bias Binding Manufacturers Ltd	20,4	—
52	Anglo American Corporation of South Africa Ltd	20,3	61 (10,7)
	World Furnishers Group Ltd	20,3	72 (8,5)
54	T.W. Beckett and Company Ltd	20,0	15 (27,4)
55	African Oxygen Ltd	19,9	22 (23,2)
56	Protea Holdings Ltd	19,7	—
57	M & S Spitz Footwear Holdings	19,6	38 (16,9)
58	South African Associated Newspapers Ltd	19,4	—
59	Industrial & Commercial Holdings Group Ltd	19,1	31 (20,7)
60	Coronation Brick Free State Ltd	18,5	37 (17,3)
	Edgars Stores Ltd	18,5	67 (10,0)
62	Vereeniging Refractories Ltd	17,9	89 (5,5)
63	National Selections Ltd	17,7	99 (4,0)
64	Anglo American Industrial Corporation Ltd	17,5	63 (10,5)
	Sentrachem Ltd	17,5	95 (4,4)
66	Blaikie Johnstone Ltd	17,1	—
67	Foschini Ltd	16,6	36 (17,7)
68	Rembrandt Controlling Investments Ltd	16,5	—
69	Nampak Ltd	16,3	—
70	Anglo American Gold Investment Co. Ltd	16,1	—
	Blue Circle Ltd	16,1	50 (13,2)
	Bradlows Stores Ltd	16,1	—
73	Tiger Oats and National Milling Co. Ltd	15,9	32 (20,6)
74	The Tongaat Group Ltd	15,7	39 (16,7)
75	Industrial Selections Ltd	15,6	92 (4,8)
76	Boumat Ltd	15,3	—
77	Alex Lipworth Ltd	15,2	—
78	Grinaker Holdings Ltd	15,0	85 (6,0)
79	Beares Ltd	14,9	42 (16,5)
80	Dermacult Ltd	14,8	86 (5,9)
81	Barlow Rand Ltd	14,0	57 (11,2)
82	Sappi Ltd	13,7	—
83	Evelyn Haddon & Co. Ltd	13,5	—
84	Suncrush Ltd	13,4	—
85	Ellerine Holdings Ltd	13,2	60 (10,9)
86	Everite Ltd	13,1	—
87	General Optical Co Ltd	12,7	75 (8,2)
88	Union Wine Ltd	12,6	—
89	LTA Ltd	12,2	—
90	Duiker Exploration Ltd	12,1	4 (41,4)
91	Woolworths Holdings Ltd	11,8	59 (11,0)
92	First Union General Investment Trust Ltd	11,7	88 (5,8)
93	The Imperial Cold Storage and Supply Co Ltd	11,5	48 (13,5)
	National Bolts Ltd	11,5	—
95	Edward L. Bateman	11,3	18 (26,6)
	The South African Breweries Ltd	11,3	74 (8,3)
97	Golden Brown Brick & Tile Co. Ltd	11,1	63 (10,5)
98	African Gate Holdings Ltd	10,8	79 (7,0)
99	The Common Fund Investment Society Ltd	10,5	68 (9,7)
	Pretoria Portland Cement Co. Ltd	10,5	—

7/12/80

Nou op stewige grondslag

FVB verdien 137 p.s. meer

Deur GERT MARAIS

FEDERALE VOLKSBELEGGINGS het sy toeskryfbare wins in die ses maande tot einde September met 137 persent van R4,63 miljoen tot R10,99 miljoen verhoog. Dit is 'n duidelike teken dat die restrukturering waarmee die groep die laaste paar jaar besig was suksesvol afgehandel is.

Terselfdertyd voorspel die direksie 'n winsstyging vir die volle boekjaar van naastenby dieselfde as verlede jaar, naamlik 70,5 persent.

Hierdie voorspelling mag dalk konserwatief wees, maar nogtans sal dit die groep se toeskryfbare verdienste vir die volle boekjaar tot sowat R30 miljoen opstoot. Hiermee sal FVB hom nie net as een van die groter en sterker nywerheidsgroepe in die land vestig nie, maar ook sy winsrekord in ere herstel ná die insinking van 1977.

Die tussentydse dividend is met 50 persent van 8c tot 12c verhoog, terwyl die verdienste per aandeel met 109 persent van 19,4c tot 40,5c gestyg het. Die verdienste per aandeel het stadiger as die toeskryfbare wins gestyg omdat meer aandele nou uitgereik is.

Byna al die bedryfsmaatskappye in die groep het heelwat beter gevaar, veral die ongenoteerde filiale. Waar Fedfood en Federale Chemiese Beleggings verlede jaar vir 77 persent van die gekonsolideerde wins verantwoordelik was, het die prentjie nou verander. Die ander drie beleggingsvelde, naamlik nywerheids-, elektroniese en dienste-bedrywe, het 'n heelwat groter bydrae gelewer.

Die herstrukturering van die laaste tyd het FVB se inkomstebasis dus aansienlik uitgebrei. In die toekomstige beoordeling van die groep sal goed na die bydrae van die ongenoteerde filiale gekyk moet word, want hulle gee die verdienste nou 'n diepte wat nie voorheen bestaan het nie.

Veral drie van die ongenoteerde filiale kan uitgesonder word:

- Federale Electronics. Die maatskappy het sy markposisie in TV en klanktoerusting aansienlik verbeter en goeie resultate gelewer. Hierdie bedryf groei tans sterk en bied goeie toekomstige groeimoontlikhede.
- FedMech: Hierdie maatskappy is nou die leier in die trekkermark en het ook baie goeie resultate behaal
- Merkels: Die posisie het omgekeer van byna geen winsbydrae in die verlede nie, tot 'n betekenisvolle wins

Afgesien van restrukturering het die opswaai in die ekonomie aansienlike voordeel vir die groep gebring. Continental China, die enigste uitsondering, is swaar deur sterting uit Rooi China getref.

Die onlangse hersiening van die invoerheffing vir hierdie bedryf behoort die posisie egter in die toekoms te verander.

Soos hierbo genoem, verwag die groep naastenby dieselfde groei in die volle jaar se verdienste as verlede jaar. Hoewel die syfer van 70,5 persent heelwat laer is as die afgelope ses maande se groei, is die aanvangsbasis heelwat hoër as die vorige.

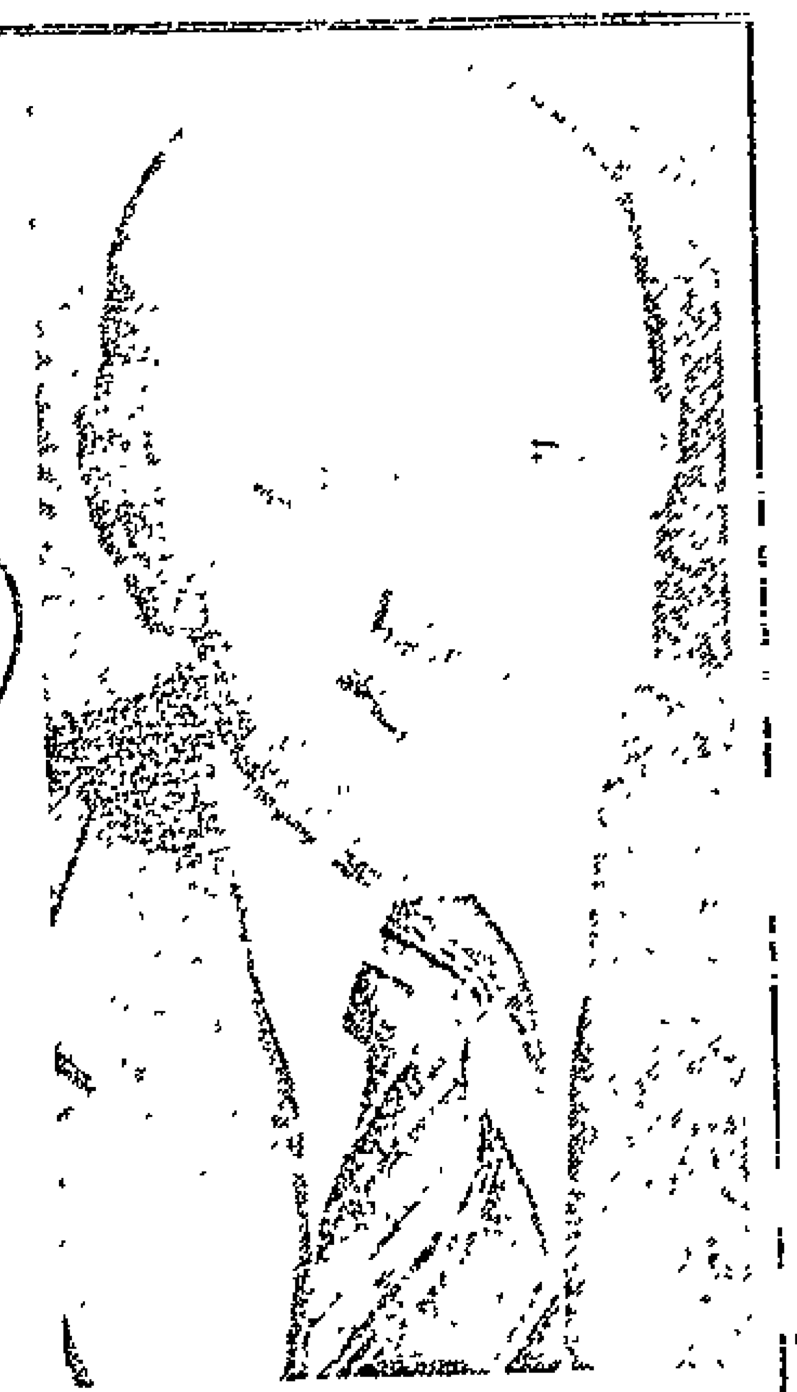
'n Groei van 70,5 persent sal die verdienste per aandeel van verlede jaar se 66c tot 112,5c per aandeel verhoog. 'n Mens kan aanvaar dat die slotdividend ook met minstens 50 persent verhoog sal word, sodat die totale uitkering vir die jaar nie laer as 33c sal wees nie.

Dit sal 'n hoër dividenddekking as voorheen gee, maar die groep sal in die toekoms waarskynlik probeer om eerder 'n stadiger, maar konstante groei in dividende te hê as om weer minder uit te keer soos in 1977 gebeur het.

Die grootste prestasie van die verwagte hoër wins sal waarskynlik opgesluit lê in die hoër verdienste op gewone aandeelhouersbelang. Indien die syfers hierbo naastenby behaal word, sal die opbrengs op die gemiddelde gewone aandeelhoudersgeld tot rofweg 20 persent styg

Dit sal nie net ver beter wees as 1980 se 14,5, 1979 se 11,3 en 1977 se 9,2 persent nie, maar die groep nader aan aanvaarbare syfers bring.

Barlows se jongste opbrengs van 20,0 persent is steeds beter as FVB se verwagte 20 persent. Dit is miskien 'n onregverdige vergelyking, maar met sy jongste en verwagte syfers bewys FVB nou dat hy saam met die topmaatskappye in die land gereken kan word.



DR. KERNEELS HUMAN, besturende direkteur van FVB. Hy het rede om te glimlag.

Verband	Termyn	Huidige koers	Styging van 1%	Styging van 1,5%	Huidige Paaiement per maand	Paaiement op 1% styging (A)	Salaris styging benodig op A	Paaiment op 1,5% styging (B)	Salaris styging benodig op B
R20 000	30 jr.	9,5%	10,5%	11,0%	R168	R183	R60 p.m.	R190	R88 p.m.
R30 000	25 jr.	10,0%	11,0%	11,5%	R273	R294	R84 p.m.	R305	R128 p.m.
R40 000	20 jr.	10,5%	11,5%	12,0%	R399	R427	R112 p.m.	R440	R164 p.m.
R50 000	20 jr.	11,0%	12,0%	12,5%	R516	R551	R140 p.m.	R568	R208 p.m.
R60 000	20 jr.	11,0%	12,0%	12,5%	R619	R661	R168 p.m.	R682	R252 p.m.

DIE tabel toon hoe die maandelikse paaiemente op verbandterugbetalings sal styg as die verbandkoers met onderskeidelik 1,0 persent en 1,5 persent sou styg. Dit toon ook hoe maandelikse salarisse sal moet styg om vir dieselfde verbande te kwalifiseer.

Five of first 10 were not in Top 100 last year

Gold the answer to shift in leading companies

58 S. Times
Bus
3/11/80

THE changing face of SA business is reflected in the placings in this year's Top 100 Companies listings.

No fewer than five of the top 10 companies in this year's list did not make the Top 100 last year, whereas in 1979 there were only two total newcomers in the top 10, and in 1978 none at all.

Like so much else in the economy this year, the reason for this turnaround is simple in a four-letter word, gold.

Of the newcomers, four are either mining finance houses or mining finance holding companies. A mining holding company also showed the biggest upward leap among the companies ranked last year.

Middle Wits, in the Anglovaal group, rocketed from 99th to fourth position. Another mining holding company, Sentrust, moved up from 91 to 30.

The impact of the soaring gold price on gold share dividends (gold mines as such are

Special Correspondent

not considered for Top 100 listings), can be gauged from the fact that GFSA, which last year could not manage even the 3,7% growth that would have nudged it into 100th spot, this year shows an average growth in earnings per share over the most recent five years of 47,0%, which is usefully above the 40.2% achieved by last year's winner, Metro Cash, and well above 1978 leader Otis Elevator's 30.0%.

Metro Cash itself, despite pushing up its growth rate marginally (to 42.6%), actually fell back to third place.

But if gold has led the surge in company profits this year, it would be wrong to assume that it has monopolised the picture. After all, one of the newcomers in the Top 10 was Gypsum Industries, whose plaster boards are inputs to the building industry. Press Supplies and Mathieson and Ashley have both come from nowhere into the Top 25.

Other big moves came from Chemical Holdings (up 58 to 41), Silverton Tannery and Kenhym (both up 43 to joint 33rd and 20th respectively), and Cadbury-Schweppes (up 25, to number six).

Two years ago, Cadschweppes was right down at 88. Rationalisation of the cold-drink industry, and South Africans' growing thirst, has worked wonders for its profitability.

The broad range of activities covered by these companies shows that the benefits of the higher gold price and stronger economic growth are distributed right across the JSE lists.

On the downward side, the strong performance of mining financials is mirrored by the largest number of casualties since 1977's 43. Of the 1979 listings, 28 do not feature this year, only one of which — H Lewis — disappeared in a takeover.

Last year, 20 companies dropped out (three of them because of takeovers) and in 1978, 27, including several takeovers.

The highest 1979 listing to disappear is Tollgate, which was in 16th spot. Others reasonably highly placed are Karoo Meat (joint 26) and Metamin (joint 32). Of the shares that have just managed to hold on to a listing, the biggest fall was recorded by Duiker Exploration, down no fewer than 86

takeover.

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places to 90.

Ironically, Duiker is listed in this year's star sector, mining holding companies (as is Metamin). Sadly, it has no exposure to gold, a position which will change when the Eirfdeel-Dankbaarheid prospect, in which it has a large participation, gets off the ground.

Metamin, too, has relatively little exposure to gold.

It should be noted that ... the Population Censuses by place ... by place ... commuters

... of total ... sectors in ... employment ... 9% ... total ... employment ... in mind ... already discussed, ... to be and ... Mainte- ... state intervention ... It is to ... we now proceed.

Company 'chose the correct industries to concentrate on'

Federale's all-round success

By John Spira

OUTSTANDING interim results from the Federale group contain the news that attributable profits for the six months to September 30 rose by a steep 137% to R10,995-million

Earnings per share rose 109% to 40,5c, while the interim dividend has been increased from 8c to 12c.

The interim report says that the excellent figures are indicative of the extent to which the companies in the group availed themselves of the opportunities presented by the current economic climate

It adds: "It is expected that the profits of the group will not grow at the same rate in the second half of the financial year as they did in the first half. Indications are, however, that the group will also perform exceptionally well in the current six-month period."

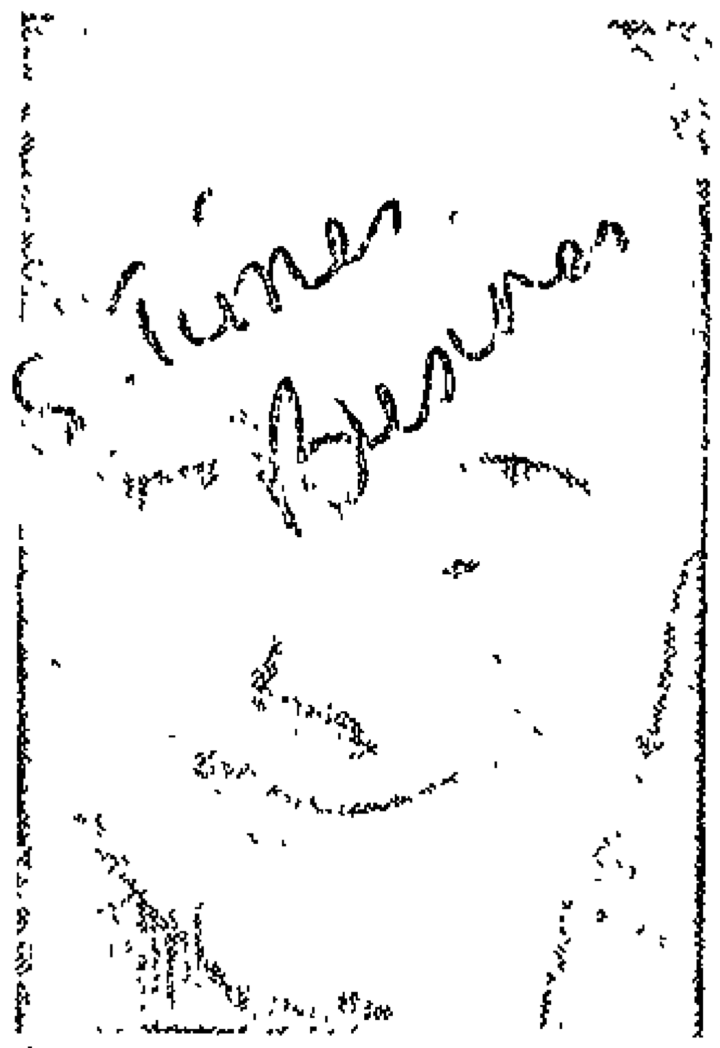
The distribution for the 12 months to March 1981 is expected to rise by the same percentage as last year

Vice-chairman and managing director Dr C J F Human tells Business Times that virtually every group company performed well, and he draws attention to the fact that the percentage increase in earnings per share is considerably more than those of Federale's listed subsidiaries already announced

This observation, he says, indicates the extent to which Federale's unlisted subsidiaries performed during the past six months

He comments further: "It is evident that Federale's income base has considerably broadened as a result of the expansion during the past number of years

"Where Fedfood and Federale Chemie e Beleggings were responsible for the major part of Federale's consolidated profits in 1979, the situation is that the investments in the industrial electronic and services industries now also contribute considerably towards profits."



Dr C J F HUMAN
"Income base broadened"

He believes that the most recent results show that the industries on which Federale chose to concentrate have proved to be the correct choices

"Not only is the profitability of the chosen sectors satisfactory but the possibilities for growth in the food, chemical, electronic, engineering, services and consumer-oriented industries are very promising."

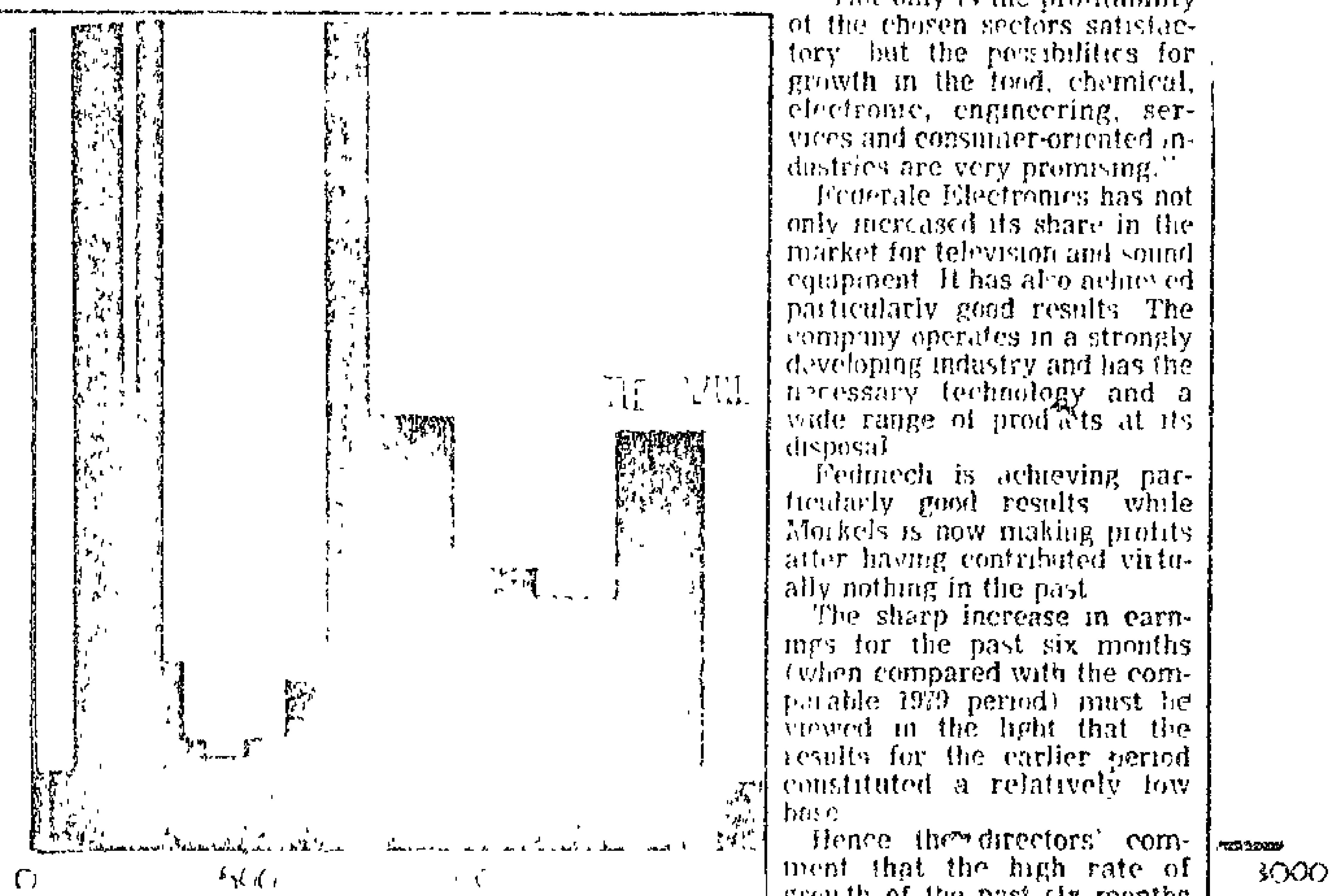
Federale Electronics has not only increased its share in the market for television and sound equipment. It has also achieved particularly good results. The company operates in a strongly developing industry and has the necessary technology and a wide range of products at its disposal

Fedmech is achieving particularly good results while Morkels is now making profits after having contributed virtually nothing in the past

The sharp increase in earnings for the past six months (when compared with the comparable 1979 period) must be viewed in the light that the results for the earlier period constituted a relatively low base

Hence the directors' comment that the high rate of growth of the past six months will not be maintained in the current six months.

However, the expectation that 1980-81 will bring a rate of growth equivalent to that achieved in 1979-80 suggests that earnings for the current financial year will top the 112c mark



Source: Simkins, 1979b Figure 2.

Figure 1 is a histogram representing transfer incomes and earnings of Africans. Leaving aside the transfer earnings (pensions, unemployment insurance, maintenance and disability

I am a marketplace politician ...

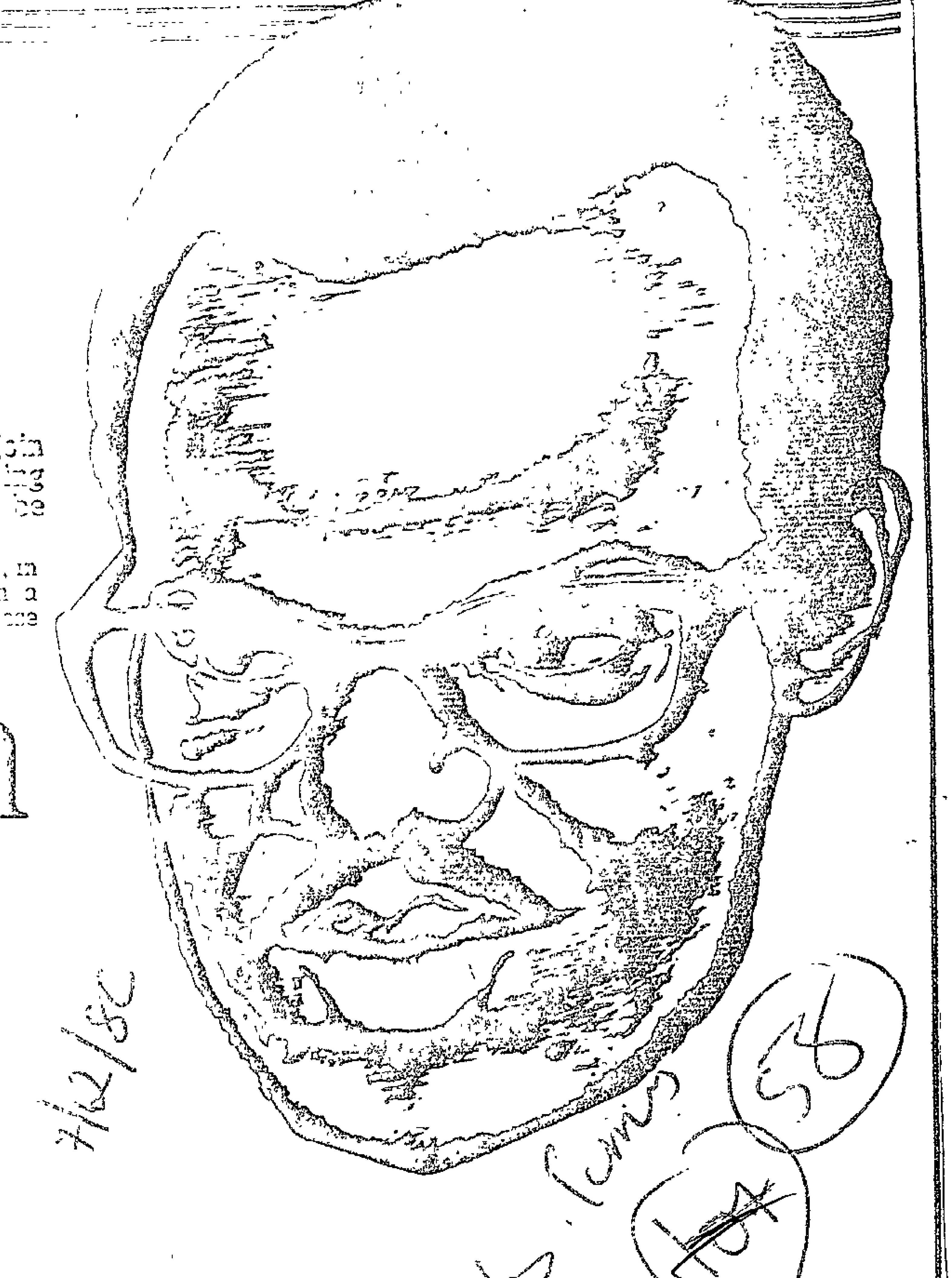
IT IS right and proper that industry should join hands with the South African Government to bring about whatever economic development can be brought about.

But I am concerned that the South African Government, in soliciting industrial support, may try to do so within a political formula, which spells self destruction ... those endeavours.

If industrialists are expected to be party to a confederal solution for South Africa, they will be party to death and destruction. The dismemberment of South Africa into a number of discrete states joined only on a confederal basis will be made impossible by bloodshed.

This and every other generation of black youth will fight political battles to be accepted as South African, free to move and seek the good life in the boundaries of South Africa as determined by the Act of Union.

Blacks throughout so-called white South Africa will continue to seek common cause. Any moves towards confederalism will first make a significant proportion of urban blacks into active politicians and then into potential revolutionaries.



7/12/80

(cms)

58

Join me in a shared future

By MANGOSUTHU G BUTHELEZI

Chief Minister of KwaZulu and president of Inkatha

This article has been adapted from Chief Buthelezi's speech at the Sunday Times Top 100 Companies dinner in Johannesburg this week

Inkatha, as a black political organisation, has achieved a degree of mass support among blacks unprecedented in this country. It has done so because Inkatha reflects the kind of thinking which I am laying before you today.

Endure

Inkatha is here to stay and Inkatha is a South African organisation. It will endure and it will continue to offer prospects of meaningful black-white partnerships in fashioning our future.

Let me put it bluntly: There is not one single popular black organisation to which you could go to seek a partnership for confederalism.

There is no black trade union movement which would see value in a black-white partnership to bring about a confederal future.

There is no cultural organisation, there is no religious organisation, there is no black professional organisation and there is no popular black political party which would work with whites to bring about a confederal system in South Africa.

Yet the Prime Minister and his Cabinet have not given me any reason to believe that they contemplate anything other than a confederal future for us.

Reverse

Never have they once said to me that our prime political task in this country is to evolve peaceful ways to arrive at black-white power-sharing.

They have said the reverse to me. They have said we cannot share power. They exhort me to take independence — so-called — so that I forfeit my right as a South African to work towards power-sharing in this country.

I was particularly kind to the Prime Minister when he assumed his office.

I called upon the world to give him time, and stated that he could not undo the damage of many generations with a stroke of a pen ... only to find that this hand of friendship was spurned by the exclusion of blacks from the President's Council.

I can state unequivocally that KwaZulu will never seek independence of the kind offered by Pretoria

The consequence of this fact is black South Africans of Zulu extraction will outnumber whites in South Africa and will continue to fight tooth and nail for acceptance as South Africans.

Tests of Inkatha's comprehension of black political opinion will yet come, and it will yet be demonstrated beyond all doubt that in expressing these sentiments, I speak not only for the present membership of Inkatha but also for a vast number of other blacks

The wisdom for a multiracial future in this country can only be found in multiracial decision-making.

I, as a black would not dare to attempt a blacks-only solution to the South African situation.

The Buthelezi Commission, which I established earlier this year, is a joint venture between blacks and whites, and it is a shared venture between various political streams of thought.

Shared

Industrialisation in this country must be a shared venture; the creation of wealth and the coping with poverty in the backlog of social and human development must be a shared venture.

In planning such shared ventures, there are numerous and detailed considerations to explore For this purpose, I established the Inkatha Institute for South Africa.

Like the Buthelezi Commission, it will be a shared venture between black and white; and it represents a black initiative which demands white support

When will we learn that black and white in this country are irrevocably bound together and destined for a joint venture into the future?

When will we abandon the archaic notion that white interests in this country are separable from black interests?

Ideal

Inkatha struggles to preserve a threatened ideal that a true partnership between black and white in this country is still possible to avoid catastrophe.

Inkatha struggles to keep this ideal alive in the only way that it can be preserved - that is, in practical demonstrations that ideological apartheid is unnecessary ... more than unnecessary, unwholesome.

None of your factories would survive for long, none of your commerical undertakings would survive, if they did not participate in progress towards sharing opportunity and moving inexorably towards racial equality.

Whites in this country can no longer go it alone.

My appeal to you today is the appeal of a pragmatist

Confederalism will never emerge. It is not a viable alternative. The production of so-called independent homelands is futile and meaningless, politically speaking, and will not defuse the growing political tensions in this country.

I and others will continue to opt to remain South Africans, with the right to participate in the Government institutions of their country.

I ask you rationally to accept that your own vested interests lie in active progress by adaptation to a truly multiracial democracy, and that your interests do not lie in an attempted apartheid future

The vast majority of black South Africans have never indulged in Utopian thinking.

They have been conditioned by hunger pangs, which need food today

They have been conditioned by tax, which needs money today.

They have been conditioned by the need for a roof over their heads, to keep today's sun and rain out.

Utopian leadership waxes moralistic, it produces martyrs and it blames others in a holier-than-thou attitude; but it does not command mass support.

Ordinary people throughout the world are concerned with their daily bread. They seek action, which procures for them what they need for their immediate desperate circumstances.

That means we must become realistic and pursue the politics of the marketplace.

Appeal

I could not join in the international call for economic sanctions against South Africa.

I could not join in the calls for such international action as would lead to the closing of factories and the loss of work opportunities for blacks.

I am not a Utopian moralist who can destroy the heart and mind of an ordinary worker to suit Utopian ends.

I appeal to you to employ managerial skills in the pursuit of a multiracial future for the same practical reasons, and not for ideological reasons

You all believe in the free market I am a market place politician.

9/12/80

Argus

58

City firm's party only for whites

THE first time 45 employees of a national insurance company SA Eagle Insurance Company, heard about their company's end-of-year staff party was yesterday — two days after the event had taken place.

Last Saturday while the 60 white members of the company were enjoying themselves wining and dining at the exclusive Kelvin Grove Club in Newlands, their 45 black colleagues were engaged in other activities, unaware that the event was taking place.

They had not been invited nor informed about the staff party.

They heard about it for the first time yesterday when the other staff members 'without batting an eyelid' told about the 'swell time' they had had.

'DISGUSTED'

A spokesman for the 'disgusted' black staff said everybody was under the impression the Kelvin Grove party was a private one.

The regional manager of the SA Eagle Insurance Company, Mr G P Murphy, said in Cape Town today that the company held the 'whites-only' staff party because there were no other options open to it.

He said it was unfortunate that facilities where all the staff could drink and dine together were not available.

'We will give them something. A cheque or maybe a voucher,' Mr Murphy said.

In previous years black staff members at the company in Cape Town were given 'gratuity' cheques, he said.

'I can't change the laws of the country. Maybe next year we'll have a cocktail party. But then everybody would lose out,' he said.

SURPRISED

The managing director of SA Eagle, Mr F Haslett, said in Johannesburg that he was surprised that such a party could have taken place.

'It is definitely not in accordance with official company policy. We are a multiracial company,' Mr Haslett said.

'The way I overcame this obstacle was to have a cocktail party. I will look into the matter.'

The Western Province Sports Club, better known as Kelvin Grove, has international status.

It may serve liquor, refreshments and meals to blacks with one restriction — that there should be no dancing in the part of the premises where blacks are present

HIRE PURCHASE 58

Consumer debts rise

FM 12/12/80

SA consumers' indebtedness has increased by an estimated 40% in the past 15 months. But according to banks and finance houses, there has not been a marked increase in bad debts.

Credit controls and checks have been tightened and a spokesman for one finance house says: "We turn away hundreds of applications."

The HP book of one bank increased by over 54% in the first 10 months of this year, 65% on an annualised basis. One banker estimates HP books from all banks now total R2 billion, compared to September 1979's R1,4 billion.

Wage increases and tax cuts introduced earlier this year, he says, allowed consumers to buy cars and furniture with the extra disposable income. However, he expects demand growth for HP finance to level off from this year's high 65% to about 55% in 1981.

Another banker admits the last year has seen a very substantial increase in HP demand, but he thinks it will level off next year. "Talk is deposit amounts will increase, as will interest rates." The present arrears situation, he says, is very satisfactory. However, he agrees that people tend not to budget for inflation, which could "cause problems downstream. But our credit evaluation is very tight. We watch it all the time."

Credit card usage increased dramatically this year, but Standard Bank card division GM, Randle Carter, says: "Today cards are used as a payment mechanism. There's a low increase in credit usage."

Standard Bank's card usage, says Carter, is up 40% this year, and its card base grew 78%. The average balance on statements is up 15% this year. He claims all credit cards still represent a low 8%-9% of total retail turnover. "And at the outside, the industry has R350m outstanding on its books."

Barclaycard's GM Collin Gregor says 94% of card payments are settled in full within 25 days of receiving statements. "That's not granting of credit." There have been no fireworks in card usage this year, he says.

The bad debt situation improved further and is "well below the international average of just over 1%." Gregor turns down 57% of card applicants. "We've become a little bit selective," he says.

Gregor says growth this year has not been spectacular, despite the fact that "we've never seen a boom like the one we're experiencing now. There's been a nice movement in cards, but nothing to go into orbit about."

In the US, says Gregor, card usage represents 19%-20% of overall retail spending. In SA, he estimates, it's no more than 8%.

Edgars reports 70% of sales are credit sales. But, says MD Adrian Bellamey, there is no rise in bad debt levels to indicate that people are in trouble. "The increased level of credit is not out of proportion to the percentage wage increases granted this year."

KEY TO COSTING TUTORIAL

Code	Details
CA	Cash budgets
CB	Capital budgeting
CC	Contract costing
CL	Linear programming
CM	Marginal costing
CP	Profitability
CS	[illegible]
CX	[illegible]

Further pointer to dearer money

RDM 17/12/80 (58)

By ALEC HOGG

FURTHER support for a sharp rise in money market rates comes in Senbank's capital market report.

The bank says the money market will be affected not only by the Government's restrictive monetary policy, but by the withdrawal of long-term funds from the short end of the market.

Substantial switching between the long-term and short-term markets and a fluctuating gold price will contribute to the volatility of interest rates in the next 12 to 18 months, it concludes.

In mid-October, the Governor-elect of the Reserve Bank, Dr Gerhard de Kock, told the Economic Society in Johannesburg that all measures or practices which directly or indirectly affected interest rates would have to be substantially modified if not abolished.

The market expects that soon after Dr De Kock takes over at Church Square, he will enforce some of these measures.

Institutions are looking for a significant reduction in prescribed asset requirements, and long-term rates have over the past few months discounted this.

The long-dated RSA rate has risen from 9,54% in June to 11,90%.

While it is believed most of the rise in long-term rates has occurred, economists and money market investors are looking for substantial increases in short-term interest rates.

Money market rates were kept low because of pressure put on them by excess liquidity which flowed in through the high gold price.

The institutions' decision to keep funds as short as possible, with the object of pushing up long-term rates by staying out of the capital market, has also helped to keep money market rates artificially low.

But with long-dated rates now looking attractive once more, and with many controls expected to be removed shortly, short-term rates should rise sharply.

Senbank's senior economist, Mr Louis Geldenhuys, has predicted a three-month Treasury bill rate of 9% by the end of 1981 — compared with the present 5,88%. But other economists belive he is a little conservative.

(55) (~~222~~) 5/797

Santam to pull out of Zimbabwe

17/12/80

Own Correspondent

SALISBURY — Santam insurance company which is phasing out its Zimbabwe operations from January next year, will take about a year to wind up its business. The Cape Town head office has given no reason to the staff here for the move.

The manager for Zimbabwe, Mr R C Sievwright, said the company would not underwrite any more business as from January.

"However we will continue to deal with all claims and amendments to existing policies before their 1981 renewal date."

The largest quoted insurance company in South Africa, Santam deals only in non-life business.

Exchange control will be around a while yet

	Money supply increase (Rm)	Money supply increase (%)	Change in net reserves (Rm)	Consumer price index (%)
1973	1 120	23	−103	9,9
1974	1 334	22,3	−206	14,1
1975	1 275	17,4	−463	11,7
1976	777	9,0	−912	10,8
1977	644	6,9	+60	11,1
1978	1 265	12,6	+489	11,6
1979	1 501	13,3	+426	14,0
1980	2 265*	23,0‡	+1 235*	14,0‡

‡Nine months annualised
*Total for first nine months

RDM 18/12/80

58

Howard Preece

Economic Spotlight

THE SHARP tumble in the gold price should serve as a strong caution against extravagant expectations of exchange control removals next year.

Logically, of course, the two need not be closely connected.

The case for easing or sweeping away controls must depend on broad principles, not on the vagaries of one year's balance of payments outturn.

In practice, however, the Government is unlikely to be persuaded in favour of a bonfire of controls if the gold and foreign exchange reserves are already under pressure from a deficit on the current account of the balance of payments.

Whether such a deficit will develop next year depends essentially on gold.

We know from past experience that gold could easily bound up $200 or so at the drop of some new international crisis from oil or whatever.

Equally, it could remain depressed for some while by tight money-high interest rate policies in the United States and other key Western countries.

But a current deficit clearly could occur, even a sizeable one, and that is bound to weigh heavily with a Cabinet which is still largely mercantilist in spirit.

It is highly arguable, in any case, about how far exchange controls can sensibly be dismanted.

There is a tendency to argue that South Africa has big problems because of exchange controls.

It is more pertinent, I think, to say that South Africa has exchange controls because it has big political problems.

The controls are more of a symptom than a cause.

Trying to draw exchange control policy lessons for South Africa from Western industrial countries or special situations, such as Hong Kong or Singapore, can be extremely misleading.

Money leaves South Africa out of fear of revolution, not to escape ruinous financial policies.

Whatever the merits of the issue, however, I suspect that too much is being assumed about the second report of the De Kock Commission, now expected towards the middle of next year.

Clearly, the commission will recommend a variety of exchange control relaxations.

It may well also make some extremely bold proposals about *the eventual aim* of scrapping most controls, ending the financial rand and having a unitary marked-related rand.

If so, this will attract headlines here and overseas. Do not be deceived.

Theoretical goals are one thing. Actions are another. I will be very, very surprised if what flows from the De Kock report is anything like as radical as now seems widely supposed.

Certainly, I will be astonished if there is any major relaxation in the short or even medium term in what has to be the crucial issue — the right of South African residents to move money permanently out of the country.

Remember, what is now being particularly talked about is whether or not the private sector should have greater opportunities to invest funds overseas on a temporary basis, always recallable.

There is a case to be made for giving all people the right to move money in and out of South Africa without hindrance and with a free, floating exchange rate as the supposed regulator.

But it is not a case that is going to get to first base with the Government.

We also need to keep another matter in perspective.

For some time now Dr Gerhard de Kock, the Governor-designate of the Reserve Bank, has been drawing attention to the fuelling of inflationary pressures through present exchange controls.

He has argued that these controls have greatly exacerbated an excessive build-up of domestic liquidity by damming up funds within the country while there is a huge surplus on the current account of the balance of payments.

Most private sector economists agree with him although Dr T W de Jongh, the retiring Governor of the bank, offers a different diagnosis.

I agree with Dr De Kock.

But I think we should be careful of pushing the argument too far, of seeing exchange controls as the overwhelming cause of our inflation.

The accompanying table shows the absurd over-simplification of that view.

It is a matter of bitter dispute how much money supply causes inflation and how much it reflects it.

What is common cause is that money supply and inflation are linked.

Inflationary pressures can, therefore, be seen by money supply figures.

The table shows huge rises in money supply, and in the consumer-price index, in 1973, 1974 and 1975.

Yet in both those years there was actually an outflow of funds as measured by changes in the net gold and foreign exchange reserves.

Also, it was the huge outflow of reserves in 1976 that necessitated rather than caused a stringent clamp on domestic monetary policy.

The aggravating effect of the reserves rise on money supply this year can certainly be seen, however.

It must surely make sense to modify the exchange control policies that have produced this situation.

But anyone who thinks exchange control abolition is a miraculous cure for inflation should consider one other vital point.

It is argued that the appreciation of the foreign exchange value of the rand has helped to restrain inflation this year.

A drastic sweeping away of exchange controls would surely cause at least a sharp initial drop in the value of the commercial rand. Look at the 30% discount of the financial rand.

This would reinforce inflation.

On the other hand, if gold does go into decline and the current account of the balance of payments into deficit this will automatically reverse (subject to capital account policy) the inflation-push position of this year.

The De Kock report will recommend relaxations in exchange control policy.

But a major distinction will be made between long-term goals and immediate changes.

Much good can and almost surely will flow from the report. But let us not expect too much to be changed — or attach extravagant importance to it.

...nture, both on white farms

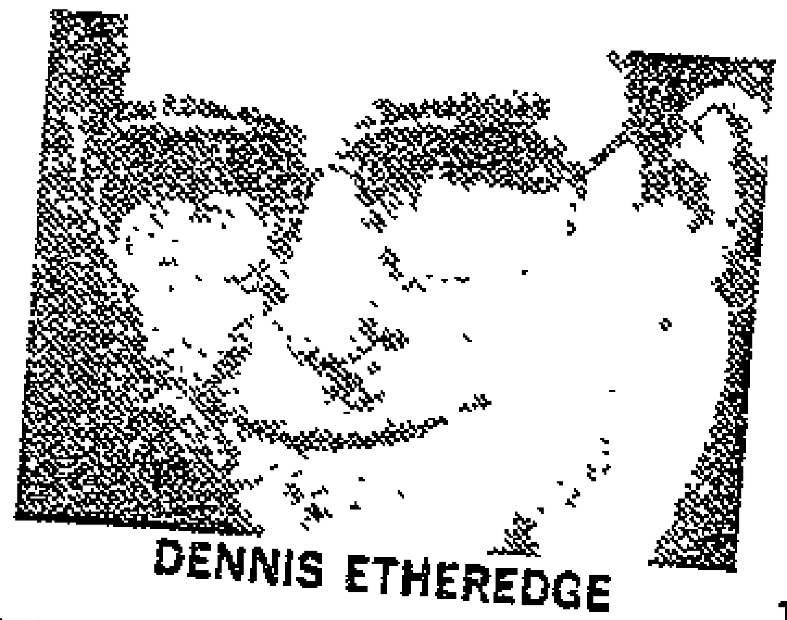
usual single earnings mode

Wiehahn reports were 'watered down'

14/12/80 S. Times 6 (58)

Vera Beljakova put some questions to the Anglo American group's **DENNIS ETHEREDGE**, gold industry leader and prime mover in the crucial field of human resources development, who was honoured this month as one of Business Times's Five Top Businessmen of the Year.

Mr Etheredge is in Europe for important conferences involving South African affairs.



DENNIS ETHEREDGE

QUESTION: HOW IMPORTANT ARE THE WIEHAHN REPORTS IN RETROSPECT?

ANSWER: The first Wiehahn report was an important step forward, but I was extremely disappointed with the White Paper because it seemed to water down the report.

Looking back now, when a lot of the things the Government decided to take slowly have in fact been accomplished, I feel the contribution of the report to the Government has been very important.

The second report (dealing with training, which came out earlier this year) has one drawback: the proposed separate training for black and white apprentices.

It will lead to all sorts of difficulties. On the one hand we already have spare accommodation in white technical colleges, and on the other it will be hard to satisfy trade unionists that all-black institutions will provide training equal in standard to that available in white centres.

This must be a considerable stumbling-block, but the proposal may well be amended as a result of the critical noises currently being made by employees.

Q: DO YOU FEEL INDUSTRY IS MOVING FAST ENOUGH?

A: This is difficult to tell. That we have turmoil among unregistered unions is to be expected and is not evidence of going either too fast or too slowly.

It is a natural flexing of muscles among people who feel they were under-represented in the past. The momentum will look after itself from now on, so the issue of whether we are going fast enough will hardly arise in the future.

Q: WHICH AREAS NEED MORE RAPID DEVELOPMENT?

A: We are going too slowly in the training field and much more must be done soon. The private sector has finally woken up to this fact and recognises that the problem is too large for our present institutions and organisations to handle.

Private enterprise must become less private in the manpower-training area, where we can't afford to be competitive. We must share our ideas and courses with those in need, so that scarce training staff can be used more effectively.

The mining industry has always had pretty substantial training schemes for both black and white, but now we are looking at the next phase, where there will be indenturing of black apprentices, and the training obligations that will arise from this move.

Q: WHAT ARE THE FIVE WORST FEATURES OF THE LABOUR SITUATION?

A: Well, I can think of some good features. We have been relatively free of strikes and those we had were on a fairly small scale . . . rather a flexing of muscles, which we must expect.

In a private-enterprise system the activities of trade unions — within the law — and the airing of strikes is not something bad. You have got to learn to live with it and see that the unions play as important a part in private enterprise as does the employer.

The real problems, though, remain unemployment and wages structures.

The dilemma is a very real one — if you increase minimum wages too much, you put people out of work. I gather that in Zimbabwe, because domestic wages have been increased to a minimum level, there are now thousands of servants without jobs.

Setting minimum wages adds to the unemployment problem, but, on the other hand, one cannot use unemployment as a basis for justifying low wages. If private enterprise is to flourish, then the black must not feel exploited.

We must encourage black businessmen and entrepreneurs, provide good wages and housing — and at the same time move away from paternalism. If we don't do it now, blacks will believe Marxism to be a better alternative.

Q: WHAT SHOULD THE PRIORITIES BE FOR 1981?

A: Advancement must happen twice as fast in 1981 as in 1980, which was a considerable improvement on 1979.

Priorities remain a big increase in manpower resources and further involvement of the black in private enterprise, either as entrepreneur or well-paid and well-motivated worker. Other obvious priorities are reducing inflation and unemployment and keeping up high growth.

DISCOUNT HOUSES (58) FM 19/12/80

Braving a new world

It is not unusual for the discount houses — the heart of the money market — to witness a rapid erosion of capital asset values when internal rates rise steeply, as they are doing now. But it is always a challenge for them. Next year when the final report of the De Kock commission into monetary matters is released, this challenge may be even greater.

At present the discount houses, along with the National Finance Corporation (NFC), are the main vehicles whereby temporarily idle funds in the banking system are channelled into short-term productive assets.

Discount house men are reluctant to speculate about the new look the market may have a year from now, but they do allow themselves to make several leading assumptions. One of these is that the NFC may disappear entirely.

A public/private sector hybrid, the NFC was created by the monetary authorities in 1949 to develop a local money market, and to assist the Reserve Bank's function as regulator of the banking system. Over the years its prime function has evolved to that of a borrower-of-last-resort.

The extent to which the discount houses are able to absorb surplus funds is limited by their capital and reserve bases at a 50-1 ratio. When they are fully borrowed, which is often, the NFC takes these surplus funds from the banks and large companies on call deposit. But sometimes government cannot resist the temptation to use these funds to finance cheaply its own expenditure.

Greater scope

Should the NFC go, the scope for the discount homes would be much greater. But they would either have to capitalise further, or their reserve/loan ratio would have to change. Both options would mean larger day-to-day operations for them and consequently greater risks.

Some idea of the volume change can be gleaned from the fact that the houses, in the extremely liquid market of the last few months, have been able to borrow up to about R1 000m. But about twice that amount is expected to flow to the Exchequer in tax payments at the end of February next year, funds which will be kept before that date in a liquid form in the houses, the banks, the NFC and in the Reserve Bank's February-dated tax bills.

The discount houses, even assuming changes in capitalisation and ratios, could hardly expand sufficiently in the short-term to deal with a doubling of the market. Discount house dealers agree that without the extra escape valve of the NFC, something would have to be done about the huge seasonal flows of money from the private sector to the government.

This has long been a bone of contention, one oft-mooted solution to which is that the government banks more with the private sector banking system and less with the Reserve Bank. This would mean that tax funds remain in the banking system, and withdrawals of cash from it could be made more selectively, as an added plank in monetary policy, similar to the system practised in Canada. A rising rand would also reduce the cash build-up in the system.

More active role

Even assuming this, there is still scope for the Reserve Bank to play a more active role in the smoothing out of daily and monthly fluctuations. This would entail striking a delicate balance between being a lender of last resort at penal rates, and being a buffer aginst structural distortions in banking liquidity, the penalising of which would not be wholly justifiable.

But a more central role for the Reserve Bank in the mechanism used to reduce fluctuations in the system would, if applied in an enlightened way, provide an important means of communicating monetary policy through interest rates. A necessary adjunct of this, and one which De Kock is expected to stress, would be more sophisticated open market operations, which in turn implies a larger, more varied government stock portfolio.

Another expected change post-De Kock is the disappearance of the liquid asset reserve system, which, as it stands, creates a special role for the houses, since deposits with them are counted as liquid assets. And this role is extended by the fact that the banks frequently adjust their liquid asset portfolios relative to fluctuations in liabilities, which is where much of the houses' day-to-day business comes from.

A move towards a cash reserve system would mean a reduced liquid asset market, and reduced dependence of the banks on the discount houses. A larger percentage of bank funds, now placed on call with the houses, would be locked in interest-free deposits with the Reserve Bank. As the houses stand at the heart of the money market, a smaller flow of funds to them could introduce a less consistent demand pattern in the market, and rates might be more volatile.

Bond market

De Kock also holds a key to the development of the bond market, in which the houses, dealing as principals and therefore without brokerage fees, expect to play an increasing role. A move to a market-orientated system of monetary control, with its emphasis on the active trading of stocks in open-market operations, would be an important stimulus for the bond market.

So although the immediate future of the discount houses is one expressed by a series of "ifs" and "thens", there is [illegible] of cautious optimism. As Discount [illegible] [illegible]

CREDIT REGULATIONS (58) FM 19/12/80

De Villiers fumbles

New Commerce Minister Dawie de Villiers has made his first boob. He has promulgated regulations which could curb consumer credit. That is not, and never has been, his department's function.

The regulations under the Credit Agreements Act, which is supposed to protect legal obligations of consumers under HP agreements, are so sweeping that they could be used as an instrument of monetary policy.

They represent, moreover, the third attempt by his department to circumscribe credit card transactions. The earlier misconceived attempts had to be withdrawn.

The regulations under this Act appeared in the December 13 Government Gazette. Although woolly in intention and of little immediate practical effect on credit card business, other than to subject retailers and credit card companies to bothersome official inspections and report preparation, they are a potential threat.

The credit card industry has "as a matter of principle" briefed a counsel to attempt to have the department revoke the regulations.

From March next year, credit card holders who purchase certain items on deferred payment terms will technically have to pay a deposit of 10%. This applies to goods ranging from furniture to costume jewellery. As there is no minimum price below which scheduled goods will be exempt, even cheap articles are affected.

In practice this might make little immediate change to credit card transactions as the card holder will have paid the equivalent of the required deposit within a three month period after the date of purchase as part of his normal obligations to the card company. According to the regulations a transaction settled within three months is regarded as cash.

The regulations also require that retailers who give six months credit to approved customers demand deposits on the scheduled items or else reduce their credit period to three months.

Says a department spokesman: "The regulations were promulgated because credit card holders have an easier time than those without credit cards.

If government is to curb credit we must not let the emphasis fall only upon the lower income groups who must buy on hire purchase as they do not qualify for credit cards."

Department spokesmen have hinted that another reason for the regulations is to reduce consumer spending by making credit more difficult to obtain, and to cut down on the number of credit card holders who remain perpetually in debt.

If this is indeed the motivation behind the regulations, then de Villiers had better learn that it is not his job to take on the functions of the Department of Finance and the Reserve Bank.

Credit cards . . . the industry has briefed counsel

Wesbank tops a billion

RDM 19/12/80 (SD)

By ALEC HOGG

THE Barclays Western Bank (Wesbank) recovery looks to be complete and it is expected to make a substantial contribution to group profits in the year to December 31.

On a management accounting basis, which excludes outstanding finance charges, Wesbank's assets will have risen by more than R450-million (60%) to R1 028-million in the the year to December 31.

Mr Chris Ball, who guided the bank through its difficult days, said in Johannesburg yesterday that profits would be "significantly" higher this year than the R20 300 000 (pre-tax) earned in the 15 months to December 31, 1979.

Mr Ball said Wesbank had cornered nearly 20% of the total instalment debtor market — well ahead of the eight other general banks which competed in this field.

When Barclays Bank took over the then Western Bank in June 1974, its share of the market was 5%.

In 1977, which was the first year Wesbank contributed to group profits, total assets stood at R302 793 658.

This growth was made even more remarkable by the fact that Wesbank's business was confined to the vehicle financing market, of which it had a 30% share, he said.

Mr Ball, who handed over the chief executive's reins to Mr Denis O'Brien at the beginning of December, ascribes Wesbank's success to staff motivation, specialisation, and high credit passing standards.

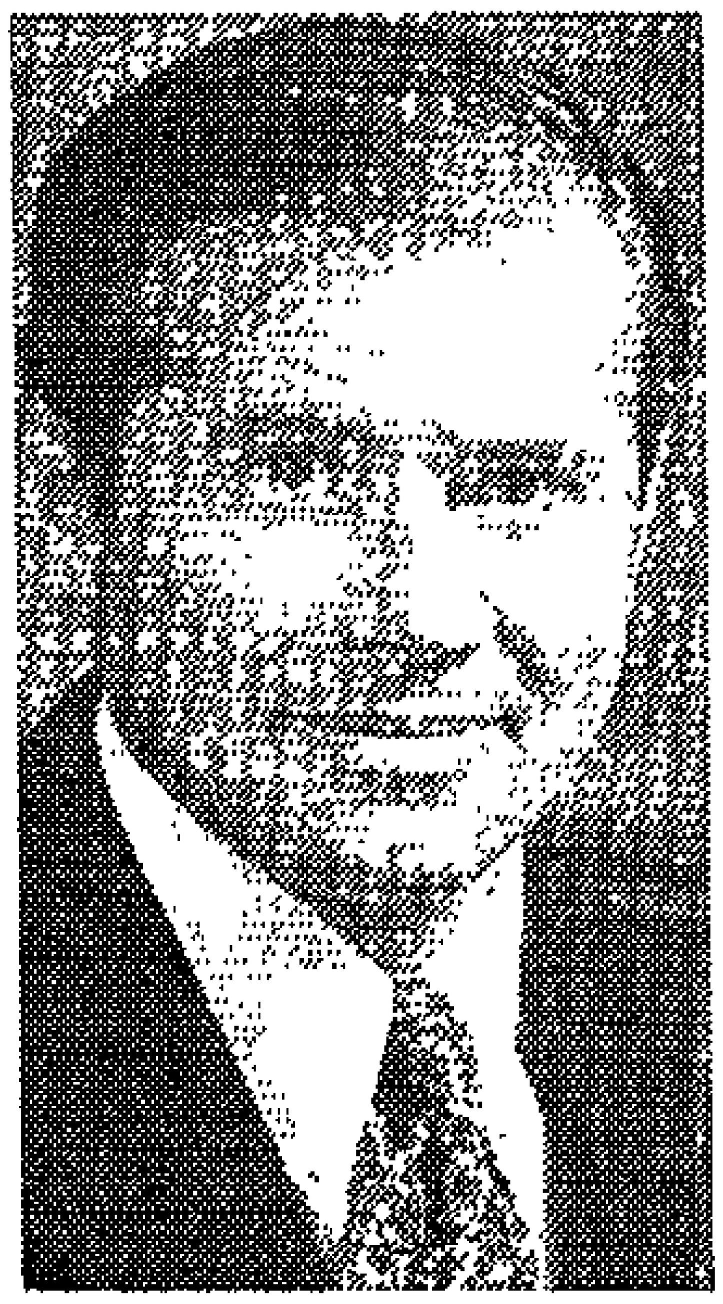
The bank's spectacular growth over the past year, he said, was helped along by booming vehicle sales.

In the first 11 months of this year, the motor industry sold 30% more cars and 28% more commercial vehicles than in the corresponding period in 1979.

Wesbank outperformed its competitors, paying out 43% more on vehicle credit in real terms than it did in the first 11 months of 1979, indicating increased penetration this year.

It is estimated that one out of every eight vehicles on South Africa's roads is financed by Wesbank.

One could argue that Wesbank has placed itself in a position where it is vulnerable to bad debts. Mr Ball contends, however, that business has been undertaken within the bank's tight standards.



Mr Chris Ball . . .off to London

Mr Denis O'Brien . . .new man at the top

Wesbank had set high motor vehicle and credit stipulations, said Mr Ball and the group's bad debt ratio was well within the market norm.

Notwithstanding the growth of the group, staff had been streamlined from 2 100 employees in 1975 to 1 800, and the average number of transactions each staff member handled now was 11 times more than it was in 1975.

Mr Ball, who leaves South Africa to take up a senior position in Barclays Bank Limited, London in the new year, said 1980's growth was unlikely to be repeated next year.

The major reason was the rising interest rate cycle which was now in full swing.

he said the average life of Wesbank's leasing agreements was 27 months, and it was consequently forced to invest in shorter-dated paper on the money market.

Capital losses were accepted as normal when interest rates rose, and this led to a slowing in the growth of profits.

BUILDING SOCIETIES TO PAY MORE — AND TAKE MORE

Argus 30/12/80

58

Investment, mortgage rates will rise soon

By Alan Cooper — Property Editor

THE New Year will bring a little happiness to the small investor and a little gloom for the man with a mortgage. Investment and mortgage interest rates are definitely going up early in 1981.

This was stated by a leading building society office today.

Already the Eastern Province Building Society has taken the plunge and raised its indefinite and fixed period shares by one percent. Fixed period shares will now pay 10 percent interest and indefinite nine percent.

'This society jumped the gun,' commented the official, 'and now we shall follow suit.'

Only two weeks ago the Association of Building Societies officially denied that interest mortgage rates would rise after Press reports in Johannesburg had quoted building society sources as saying that the movement had already decided to raise rates.

LEAK

'That was the result of a serious leak among us,' the official said.

It is understood that a Johannesburg newspaper published the relevant minutes of the association's meeting word for word the day after the meeting, following a split between two factions within the meeting — those who wanted to raise rates and those who did not.

Subsequently, the societies raised certain investment channels by a half percent, though it had been reported that they sought a two percent rise in the mortgage rate to ensure a better profit margin between loans and investments.

LIMIT

The official said: 'The new year increases will be in the region of one percent. We do not expect a two percent rise.'

He warned of a possible curtailment of building society loans in the new year.

Already some societies have cut allocations by as much as 30 percent and are making loans only to regular clients.

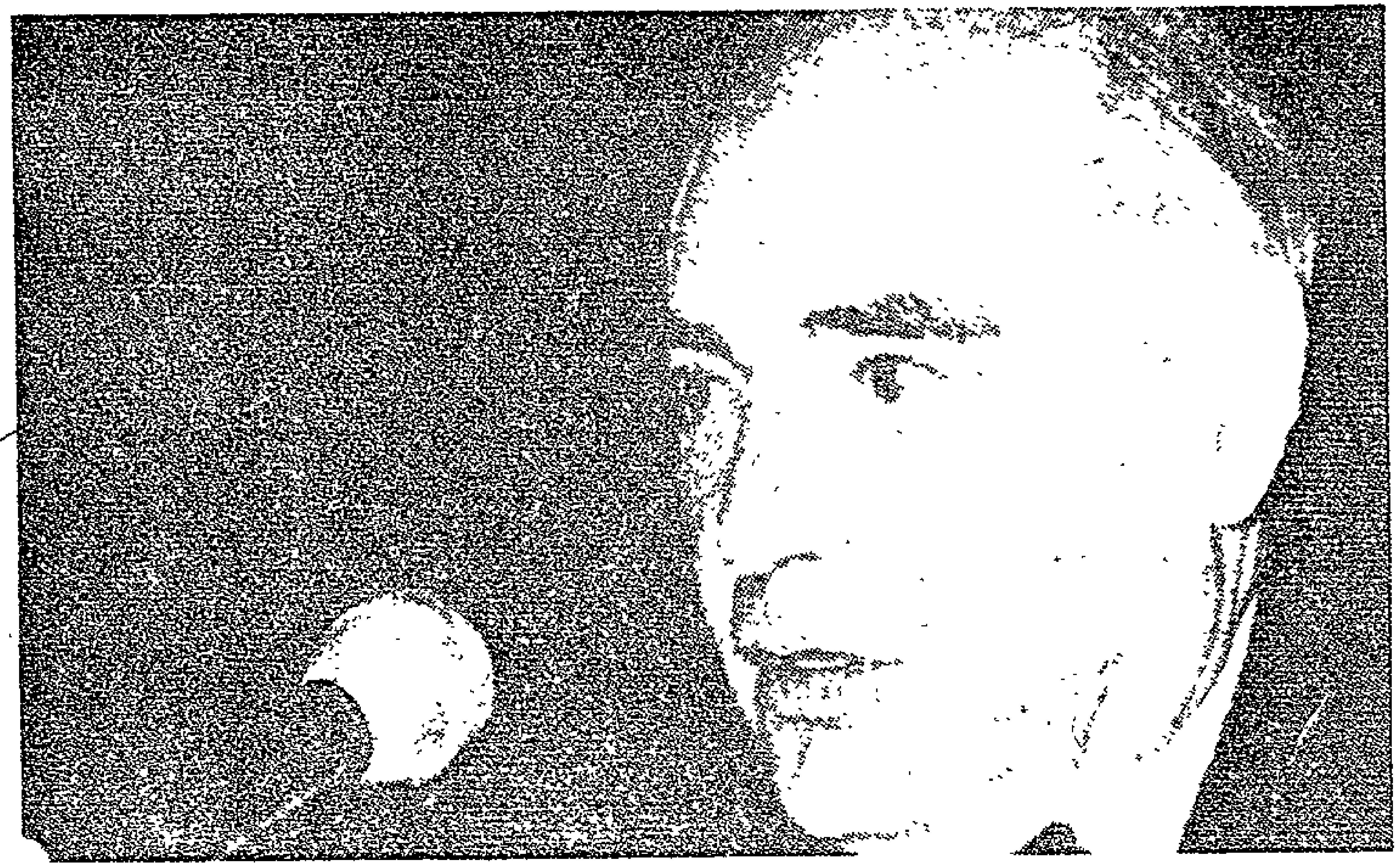
Commercial loans have almost dried up, while loans for 'luxuries' such as swimming pools are hard to obtain.

'This action is being taken by most societies to anticipate massive withdrawals of funds by institutions such as pension funds when more lucrative investments occur,' the official said.

Harry O's hand in billion rand plan

58

21/12/80 S. Times Bus



Harry Oppenheimer . . . revels in the grand manoeuvre, the financial masterstroke

Oppenheimer's R8 000-million empire seems poised for exciting ride via a new sortie by Cons Gold

By Stephen Orpen

CONSOLIDATED Gold Fields, the billion-rand London-based mining house in which Harry Oppenheimer's still larger Anglo American group recently acquired a controversial strategic stake, is gearing up for a huge acquisition.

This is the word from London, New York and Johannesburg sources, although Anglo itself is remaining tight-lipped.

Asarco, Newmont Mining and Phelps Dodge are singled out as the most likely targets.

Consgold — which is now 27,5% controlled by Mr Oppenheimer's interests — recently announced a $430-million rights offer. Also, as Thomas Jaffe reports in Forbes magazine, it can add greatly to its "war chest" by borrowing as much as $1 500-million.

That means a total purse of a massive $1 900-million with which Consgold can buy another mining group. However, Jaffe says the hunter "claims it won't go to the limit on debt".

Anglo American Corporation told me this week only that "it is not for us to comment. Consolidated Gold Fields is independently managed".

No doubt. But equally, the Anglo group wields powerful influence.

Officially, the $2 500-million-a-year Consgold group admits only to shopping "in related fields".

But, according to New York analysts, eager Wall Streeters and others scent a major tender offer.

There are two schools of thought about the Anglo hand in any plans Consgold may have.

The first argues that a major acquisition by Consgold would embarrass Anglo by increasing the likelihood of an investigation by the Americans into the Anglo-De Beers substantial interests in the US.

There, Consgold is regarded as virtually an Anglo subsidiary and American watchdog agen-

There, Consgold is regarded as virtually an Anglo subsidiary and American watchdog agen-
cies have been consistently on the lookout for ways to [illegible] Anglo-De Beers under monopolistic and related legislation

Protagonists of this argument feel Anglo is more likely to choose its own sub-groups, Charter and/or Minorco — huge in their own right — to expand by takeover. Certainly Charter could produce hundreds of millions in cash if necessary for this purpose.

By contrast, however, there is growing support for the argument that the much-vaunted hostility between Anglo and Consgold (which arose when Anglo grabbed its de facto controlling interest in Consgold) has been defused.

The reasoning here is that Anglo has in fact stabilised what was a highly political situation in Consgold. As important, in Consgold's chief, Rudolph Agnew, the group has a powerful man on Anglo's board who would see the advantages of working with instead of against Anglo strategy.

In turn, Anglo has one of its three top men, Julian Ogilvie Thompson, on the Consgold board and he is a specialist in large financial manoeuvres.

Not least, Consgold could raise more cash more conveniently than any other vehicle in which Anglo has a major stake.

The end result here is seen as a major acquisition through Consgold followed by rationalisation of Anglo's main overseas vehicles, including Charter, Minorco and Engelhard Minerals and Chemicals Corp.

If one compares what has so far occurred between Anglo and Consgold with the much earlier deals beteen Anglo and Engelhard, the full extent of future possibilities is underlined.

The Engelhard group now has revenues of more than R18 000-million a year, of which around 45% are from the sale of crude oil and related products.

● To Page 3

Dowson hit by labour shortage

Argus 23/12/80 58

A SHORTAGE of skilled manpower has severely hit the profits of Dowson and Dobson, says Mr Beau Sutherland, chairman of the holding company, Afrox, in his annual report.

'Despite strenuous efforts to train local labour of all races, the shortage of skilled manpower has seriously affected the trading results of Dowson and Dobson,' he said.

The shortage of labour has forced the launching of a recruiting campaign in Britain. However, this was merely a temporary measure to bridge the time required to train local labour.

'Due to the inadequate educational standard of blacks in particular, it is necessary to introduce a major basic educational component in training schemes with the resulting additional cost in time and effort.

PRIORITY

'We believe education, training and development is a national priority to assist industry and commerce to sustain the national growth goals.'

Industry and commerce had been slow in accepting their responsibility for training labour although many companies had mounted intensive training and educational programmes.

'It is essential, however, that the level of education of all the races be raised dramatically and as quickly as possible.'

ALARMING

Dealing with his company's contribution, Mr Sutherland said training was provided for all levels.

'Difficulties with the sudden increase in turnover and activity would have been more serious had there not been training programmes already in use.'

Although there was a boom in the economy, the shortage of skilled staff could lead to a decrease in the growth rate.

'The demand for trained staff has also led to large and alarming increases in salaries and wages, which have been accentuated by a rise in the inflation rate. Increasing costs are having a unfavourable effect on the economy as there is little improvement in productivity.'

Shannon Sherry

Charges by banks likely to be cut

RDM 24/12/80

58

By ALEC HOGG

AFTER four years of inconclusive talks; it seems agreement on the abolition of bank charges is likely to be reached early next year.

The clearing banks (Barclays, Standard, Trust, Volkskas and Nedbank) have submitted proposals to the authorities on the possible reduction of charges levied on holders of cheque accounts.

Most important are ledger fees and commission on out-of-town cheques.

The banks' proposals will be discussed by the technical committee on banking legislation on January 9.

The committee, headed by the Registrar of Financial Institutions, Mr Wynand Louw, holds periodic meetings to monitor the workings of the banks and building societies. It has the power to suggest to Parliament changes in banking legislation.

The abolition or reduction of bank charges on current accounts would be a welcome move for customers. There is little doubt that the individual with a current account "subsidises" corporate clients of banks.

Commission payable is lower for corporate clients, and individuals are invariably charged a higher overdraft rate than companies — no matter what security is offered.

One of the major reasons behind the banks' proposal for the abolition of current account charges is believed to be the amount of business which building societies have drawn from them.

Some societies are offering to pay interest — albeit marginal — on transmission accounts and, in addition, the customer is offered five (or in some cases more) free cheques a month.

This has caused many young people to opt for a building society account.

With the ending of these heavy fees (a ledger page — about 40 entries — costs round R7 at present), banks can expect to draw a lot more cash in the form of current account deposits.

At present, a cheque book account is something not everyone can afford, but under the new deal offered by banks, the convenience of a current account could be enjoyed by more people.

With the high inflation rate much in the picture, and a cut in the broadly based money supply a stated Government policy objective, the competition for funds between banks and building societies is expected be become even fiercer in 1981.

That is why banks will encourage as many cheque book accounts (money lent to them without a charge) as possible. A lowering of the cost of running such an account will be a great incentive to the average customer.

If the bank charges on cheque accounts are indeed done away with, South Africa will have put itself in line with the United States and Britain.

In Britain, there is no such thing as ledger fees, while in the US, fees are levied — and then only by some banks — when the client's balance falls below a specified figure.

LEASING AND HP (58) FM 26/12/80

Helping the spree

Tax reductions, aggressive marketing by the general banks and a booming economy have combined to push the total hire purchase and leasing receivables of the banking system to a level 50% higher than it was at the end of the third quarter last year.

By September the banks' combined hp and leasing advances had reached R4 616m, according to figures compiled by Nedfin. The fastest growth, as the table shows, has been in consumer-orientated hp, which at R2 656m was over 60% higher than it was in September 1979. This was obviously an important factor in the rise in real private consumption expenditure in 1980.

The tax cuts included in the March budget, wage and salary increases and the extension of the credit card industry have all played contributing roles. Standard Bank Card Division GM Randle Carter, for instance, claims a 40% increase in card usage this year alone, and a 78% growth in the card base of Standard Bank alone. And, with retailers predicting "the best Christmas in 15 years" from a spending point of view, the level of hp advances will probably rise exponentially in the final quarter of this year. Given that private sector borrowing was a major component of the 40% increase in money supply in the third quarter, hints from the authorities towards a tightening of hp terms may well foretell an eventual reality.

The general banks account for 90% of total hp advances. Barclays again heads the bank group list at R723m through its general bank arm, Barclays Western, but Bankorp, through Santam and Trust, is close behind at R705m, having shown a massive 70% recovery over the year. Stanbic, through Stannic and Stancor at R646m, has moved down over the year to occupy third place.

Stanbic, however, stands at the top of the leasing pecking order, with R694m written into its leasing book, showing an annual growth of over 60%. The total leasing figure for all the banks comes to R1 960m, a 36% increase over the year to September. And Barclays is again in second place at R529m, with the other groups far behind.

The increase in the leasing figure is an indicator of industrial expenditure, and more specifically fixed investment. The Reserve Bank Quarterly Bulletin in September showed total fixed investment in plant and machinery to have grown in the first nine months of the year to total R3 789m, compared to R2 927 in the comparable period last year. Much of this was financed by internal resources, but leasing played an important part, as the figures show. And the trend towards leverage leasing, where finance is farmed out among a number of investors, not necessarily banks, suggests that the actual amount of leasing business done this year was greater than the figures show.

The general banks account for over 70% of total leasing receivables. Barclays Group relinquished some of its market share, while Bankorp showed a healthy 60% growth, largely as a result of its winning the R160m Atlantic lease in May this year. This single package in fact accounts for over half its annual total to September.

Standard Card's Randle Carter . . . expanding the consumer's credit base

BALLOONING CREDIT

Group	HP Receivables Rm	HP % change	Leasing Receivables Rm	Leasing % change	HP and leasing Receivables Rm	HP and leasing % change	Market share %	% change
Stanbic	646	56	694	63	1 340	59	29	+7
Barclays	723	58	529	27	1 252	43	27	−7
Bankorp	705	70	280	40	984	60	21	+5
Nedbank	145	44	172	−5	317	12	7	−22
Volkskas	176	64	106	68	281	65	6	+9
Independents	262	90	180	13	442	48	10	+3
TOTAL	2 656	62	1 960	36	4 616	50		

FM 26/12/80

ASSURA 58

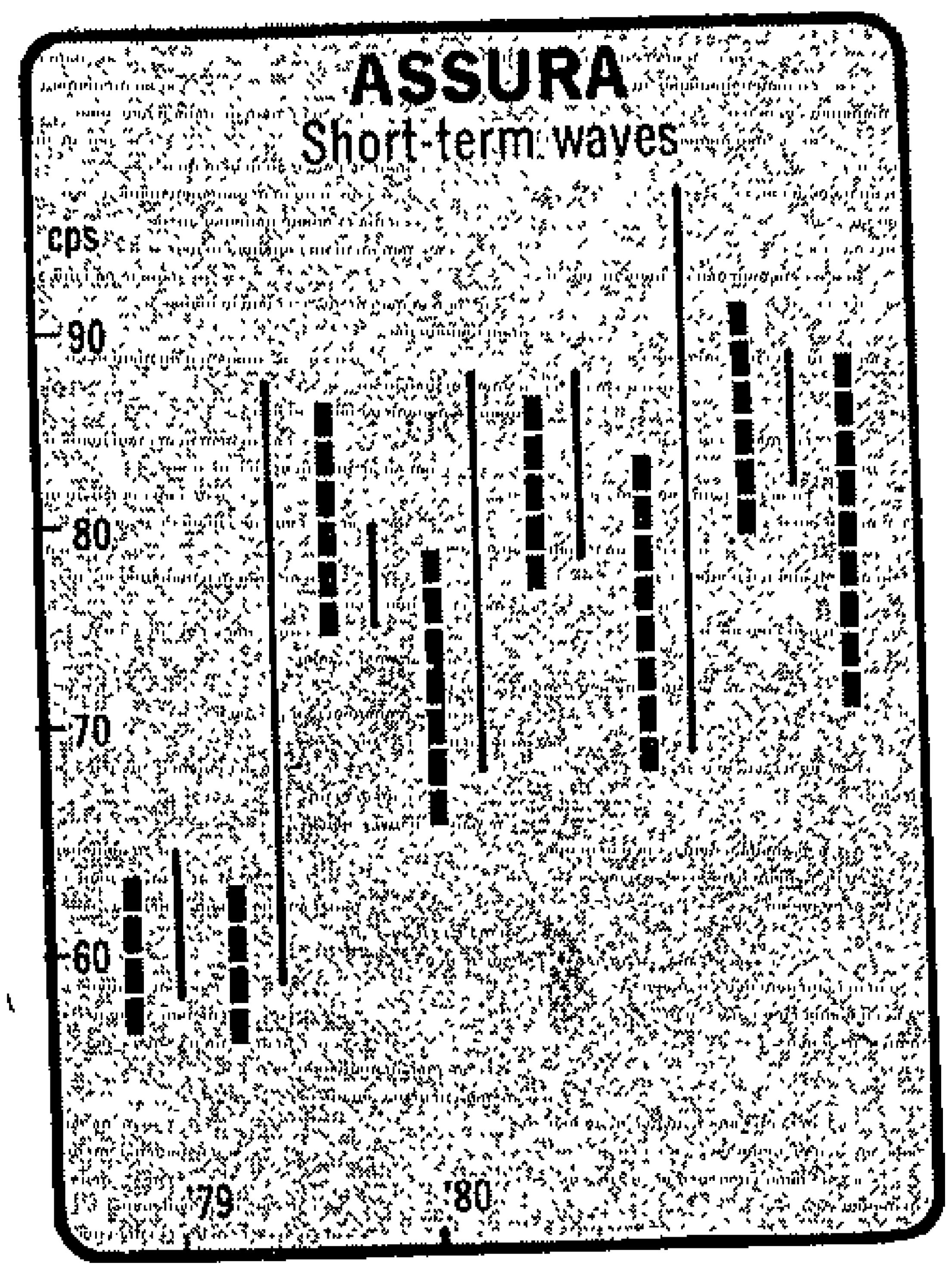
High yield

Activities: *Holding company of Santam Insurance, Sentinel Insurance and Santamgro Managers, all of which are involved in short-term insurance. Assura is SA's largest short-term insurer and is owned 40% by Sanlam. It owns 11,4% of Bankorp.*
Chairman: *C H J van Aswegan; managing director: C J Oosthuizen.*
Capital structure: *35m ordinaries of 10c. Market capitalisation: R24,5m.*
Financial: *Year to September 30 1980. Insurance funds: R49,9m. Total assets: R129m.*
Share market: *Price: 70c (1979-80: high, 98c; low 55c; trading volume last quarter, 808 000 shares). Yields: 32,1% on earnings; 10,4% on dividend. Cover: 3,1. PE ratio: 3,1.*

	'78	'79	'80
Net premium income (Rm)	83,6	104,9	133.5
Taxed profit (Rm)	5,9	7,4	7,9
Underwriting profit (Rm)	8,5	7,8	4,6
Investment income (Rm)	4,4	5,3	6,0
Earnings (c)	17,0	21,2	22,5
Dividends (c)	5,5	6,325	7,25
Net asset value (c)	45	52	63

The symptoms of the current malaise in the short-term insurance industry are clear to see in the progress of the country's largest single underwriter, Assura.

Over the three years since non-insurance activities were sold, underwriting profits have declined from R8,5m to R4,6m. Over the same period, though net premium income rose from R83,6m in 1978 to R133,5m last year, taxed profit advanced only half as quickly from R5,9m to R7,9m. However, in line with other major short-term insurers, Assura has been able to take advantage of buoyant conditions to push up investment income from R4,4m to R6,0m over the same three-year period. Dividends have consequently grown from 5,5c to 7,25c.



The question which obviously arises at this time, with the stock market apparently moving out of its long-term bull trend, is whether or not the group will be able, firstly, to revive its underwriting surpluses and, secondly, to maintain growth rates if equity earnings start levelling out.

Chairman Carel van Aswegan says the group has already taken defensive action against a possible continuation of the decline in underwriting surpluses. As of November 1, he points out, premium rates on certain uneconomic classes of insurance have been increased. Some other insurers have followed suit, but it is difficult at this stage to forecast the effects of the hike, for there are always those in the market who will take advantage of the somewhat artificial change in policy to pick up the extra business at lower rates. Industry sources also say that though Santam has upped its premium rates on motor and Multiplex policies, traditionally the group is one of the last to do so.

On the investment side, Van Aswegan says, it became increasingly difficult during the past year to find attractive homes for new funds, though the existing investment portfolios obviously performed well. The strong equity market made it possible to wait for a rise in fixed interest rates and a high level of liquidity was attained.

Interest rate moves over the past few months now make it possible to invest in longer-term paper at more satisfactory yields. It appears, therefore, that investment income may be expected to continue bolstering competitive underwriting business.

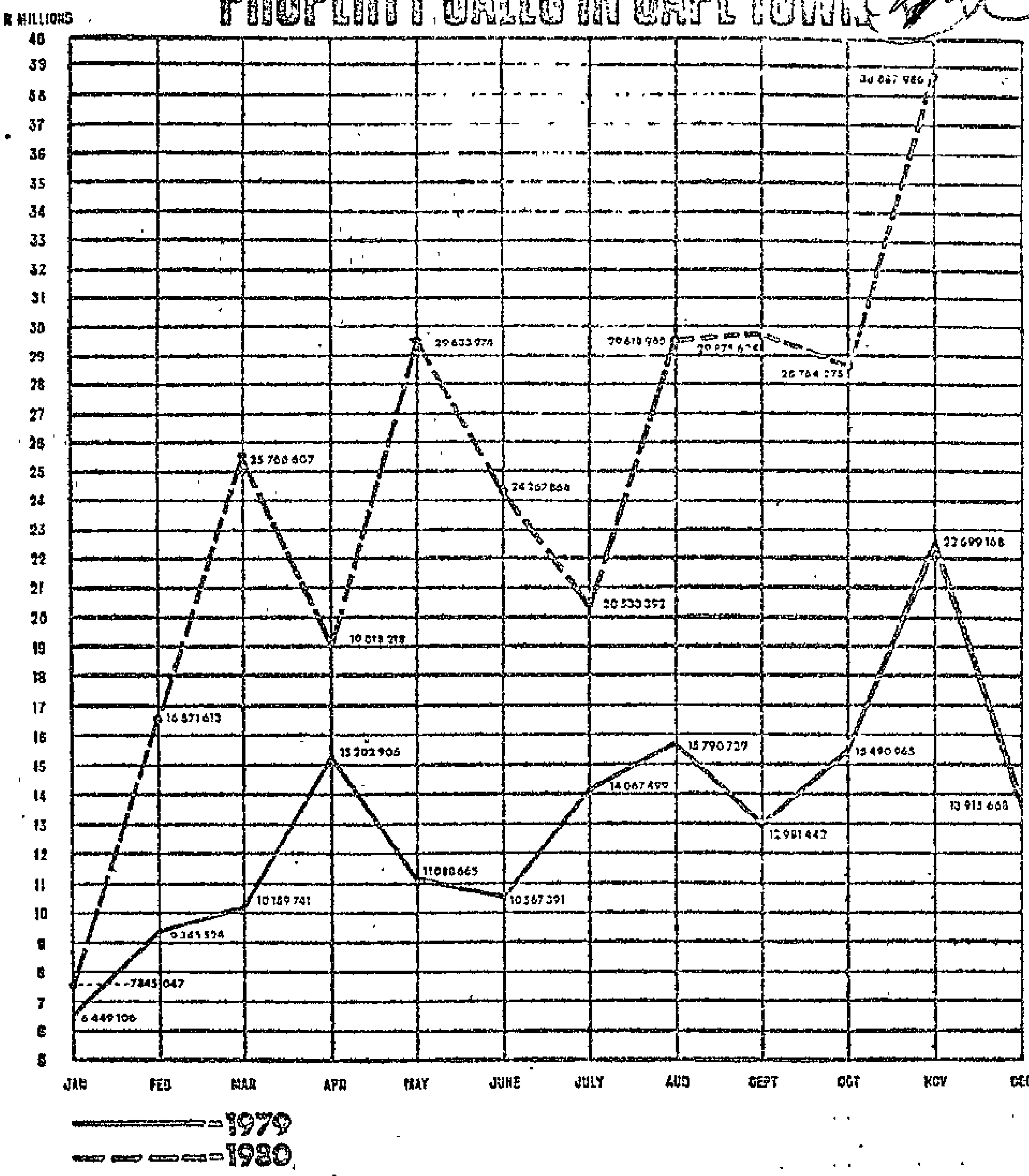
Technically, says Van Aswegan, the group as a whole has a solvency margin of just over 29%, compared with last year's 35,5%. However, it is important to note that recent industry research put Santam Insurance — the group's main operating subsidiary — on a margin of under 16% last year. The financial statements do not detail the margins of the individual companies, and the requirements of the Companies Act differ quite widely from the requirements of the Registrar's office when it comes to calculation of the margin. The proper level can only be calculated from the Registrar's returns, so it appears that Van Aswegan's figure may not be strictly in line with the normal expression of solvency.

Nevertheless, the company still has significant financial strengths and, given better market conditions, would probably reveal a much more attractive balance sheet.

The share, now well off its year's high, offers a relatively attractive historic dividend yield of just over 10% at 70c. Though future dividends will depend to a large extent on the success which the group has in maintaining investment income, a payout of around 8c a share seems possible for a prospective yield of 11,4%.

Scott Hawker

PROPERTY SALES IN CAPE TOWN



A record month for property

Alan Cooper, Property Editor

CAPE TOWN property sales in November 1980 soared to the highest level ever recorded — R38 887 986 — more than R10-m more than sales in October and R16-m more than sales in November 1979. Yet the actual number of sales did not increase in proportion, indicating the inflated prices being asked for property in the city.

A total of 997 property sales in the Cape Town municipal area brought the record figure of R38 887 986 in November. Total valuation was R24 032 664 based on 1971 valuations, showing a gap of R14 855 322.

November appears to be a peak month for sales. In that month last year the highest amount for sales for the year was recorded — R22 699 168 with 934 transactions.

Yet with only 63 more sales in November this year, the money involved increased by more than R16-m.

Biggest addition to th November 1980 figur was the sale of a buildin the Sanlam Centre on th Foreshore which went f R5 600 000 with a valu tion of R6 448 790

Apart from this lar sale, the most popul ward for property buye was Ward 13 which i cludes Athlone, Crawfor Lansdowne, Wetton a part of Claremont. Sal there rose to R4 361 619 with 230 transactions.

Next most popular was Ward No 14 — Claremont, Newlands, part of Kenilworth and Bishops Court where 60 properties were sold for R3 322 512.

Third on the list for November was Ward 2 which includes part of Sea Point. Thirteen properties were sold there for R2 546 050.

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Sectional Titles:

Agents want less interference

THE Institute of Estate Agents of South Africa has hit out strongly against the 'stringent requirements' relating to sectional title conversion and 'interference' by the authorities in the sectional title market.

A recent statement by the institute maintains that the 'stringent requirements relating to conversion are seriously affecting the resources of the local authorities who must approve sectional title schemes. This in turn has resulted in serious delays in the opening of registers.

It maintains that delays in opening registers will result in higher prices being passed on to purchasers as a result of increased building costs. 'Further interference in the market by the authorities will cause unit prices to rise and discourage further development and conversion of living units.'

The institute says that while it is sympathetic to the plight of pensioners and those not able to afford market rentals, it does not believe that private developers should be made to subsidise tenants as this was the function of government.

'The effect of further controls will certainly inhibit private sector development of flat units for renting.'

The institute contends that malpractices and unethical exploitation of tenants and purchasers in the sectional title conversion process were the exception rather than the rule. 'It is considered that the whole fabric of the conversion process does not require adjustment at this stage by the authorities.'

According to the statement, agents with experience in sectional title sales will always advise their clients — the developers — to follow sound practices such as:

- Granting tenants a reasonable time to decide whether they want to buy their flats
- Giving tenants discounts on the retail price of the unit based on periods of occupation
- Ensuring that the levy calculations have been properly estimated.

58 27/12/80

Berg land grab move by planners

58 NM 27/12/80

Pietermaritzburg Bureau

PROPERTY owners in the Drakensberg stand to lose land worth millions of rands if plans for the virtual 'nationalisation' of the area go through next month.

At stake is the central Drakensberg covering an area of about 161 500 ha which includes popular holiday resorts like Champagne Castle, Cathkin Peak, El Mirador, Mount Memory and Dragon Peaks, which will be virtually frozen by proposed leglislation for introduction by the Town and Regional Planning Commission.

Under the plan farmers could find large tracts of their land being zoned 'special conservation' and totally unusable.

Trout streams in these areas would be totally closed to the public who would be restricted to 'contour paths' through demarcated areas.

However, property owners and residents in one of the most beautiful areas of Natal would be the worst affected.

Farmers would be responsible for the maintenance of public paths through their land. Failure to maintain them would mean liability to pay for the work done by the NPA.

MEC agrees plan

s

In terms of the proposed legislation roads could be closed by the commission whenever they felt it necessary and business owners finding themselves on areas which had been zoned for conservation would lose their investments if they ever decided to move out as the businesses would have to close.

An irate Mr Russell Tungay, director of a company which has a shop, caravan park and a dairy farm at Dragon Peaks, said his father's farm would have a total of 202 ha 'sterilised' by the law which would allow 40,4 ha for limited agriculture.

Prohibited

In addition sub-division of land would be prohibited and future buildings — on rare sites where buildings would be allowed — would have to be passed by the commission. The plans and even colour of the completed building would have to have official sanction, he said.

The only areas to escape take-over would be existing hotels and the site of the Drakensberg Boys' Choir School.

The hotels and Mr Tungay's caravan park would, however, not be able to expand their facilities any further and any new businesses would have to be conducted in a special demarcated area near the El Mirador Hotel.

Mr Tungay said virtually nothing was known about the plan for the take-over 'under the guise of conservation' until two days ago.

'Property values are going to be totally destroyed and owners will be reduced to being bywoners on their own property,' he said.

'The Province wants to turn the area into a conservation park at no expense to itself.'

A spokesman for the commission could not be contacted last night.

'harsh'

Mercury Reporter

MR DERING Stainbank, MEC for the Parks Board, confirmed that plans for the Drakensberg catchment area had been drawn up and the conditions had been laid down after consultation by the Parks Board, the Department of Forestry and the Town and Regional Planning Commission.

'Some of the guidelines laid down were rather harsh,' he said. 'But they have been drawn up with the intention of guarding the environment.'

He was not able to comment further, he said.

Mixed canteen row over clothes

STAR 3/12/80

The desegregation of canteen facilities at the Anglo American Corporation's head office in Johannesburg has had an unforeseen effect — workers are now accusing the company of racial discrimination.

Since separate eating facilities were abolished in November, day cleaners at head office have been required to change out of working clothes before using the canteen. According to worker sources, this was never required when the cleaners used a canteen reserved for blacks.

They also say there is no pressure to observe the rule in the evening — when there are no whites in the canteen.

About 30 cleaners have boycotted the canteen in protest against what they see as official discrimination. The sources say the boycott ended a fortnight ago after management turned down a request from the Employees' Representative Council to revise the policy.

Although they had temporarily accepted defeat, the cleaners were still "very unhappy."

An Anglo American spokesman said the vast majority of its head office staff of 1 700 had accepted the policy. The cleaners had been required to change out of their overalls before eating "in the interests of the majority of diners," he said

'Creeping inflation will dog SA economy'

RDM 30/12/80 (58)

By GERALD REILLY
Pretoria Bureau

CREEPING inflation will dog the South African economy during 1981, according to Volkskas chief economist, Mr A S Engelbrecht.

They agreed with the Minister of Finance, Senator Horwood, that the greatest threat to the economy would be inflation, which was unlikely to fall below this year's level.

However he supported the Minister's view that South Africa could look forward to another year of orderly expansion, with a growth rate of between 5% and 6%.

Mr A S Engelbrecht, said the two most vicious inflationary factors would come from wage and salary increases, and continuing rise in food prices, especially Government-administered prices.

Other pressures would come from the chronic shortage of skilled workers, and imported inflation. The possibility of higher fuel prices would also have to be taken into account.

Mr Engelbrecht said if the economy achieved even 5% growth next year, added to the 7% or 8% reached this year, this would be an achievement unparallelled in the Western world.

Credit, he said, would be more expensive — because of higher interest rates — and less available. This would tend to slow down expansion.

Like other economists, Mr Engelbrecht expected the inflation level for the whole of next year to be greater than this year's figure.

"We are afflicted by a creeping inflation and only a major effort on the part of Government and the private sector can reduce the rate of increase."

The March Budget would also be a factor. But Senator Horwood had indicated that he would adopt the usual conservative approach with a tight reign, too, on State spending.

He expected moderate tax concessions to compensate for fiscal drag, which resulted from taxing incomes raised to compensate for inflation, and which represented no increase in real purchasing power.

Homeowners get a 1981 bond shock

31/12/80
STAR

58

By Pieter de Vos

Mr Boet Viljoen . . . not this year — but very early next year.

At least a million homeowners will be affected when repayments on home mortgages rise by an average of five percent a month next year.

Mortgage rates will rise 0.75 percent in the New Year, Mr Boet Viljoen, president of the Association of Building Societies, announced in Johannesburg today.

The increase takes effect on January 12 for new loans and on March 1 for existing loans.

Higher interest rates were an inevitable part of the current boom, said a leading economist. Homeowners should prepare themselves for further rises in 1981, he added.

The cost of funds to the building societies has been increased. An announcement this morning said that dividends on investments in the societies would go up by about one percent.

The rate on indefinite period paid-up shares has been raised from eight to nine percent, on special issue tax-free paid-up shares from seven to eight percent, on partially tax-free subscription shares from eight to nine percent, and on full tax-free shares from seven or 7,5 to eight percent.

Interest

The rate on new fixed period paid-up shares has been increased to 10,5 percent and on special savings accounts from 5,5 to six percent.

As a result of these extra costs to building societies, homeowners with 30-year bonds of R10 000 will repay R90 instead of about R85.

At the top end of the market, home-owners with a R50 000 bond will repay R541,81 monthly compared with R516,10. This represents a rise of just below five percent.

In April last year mortgage rates were reduced by 0,5 percent.

A spokesman for the association pointed out that the new rate of 9,75 percent for bonds up to R10 000 was still below the bottom rate of 10,5 percent in September 1975 and that the top rate of 11,75 percent would be below the top rate of 12 percent at that time.

These increases have been announced within three weeks of a statement by Mr Viljoen that mortgage rates would not be lifted this year.

Mr Viljoen said he expected that housing loans would be more difficult to obtain next year.

But economists greeted today's announcement with little surprise as the market, in general, has expected increases for some time now. Increases of up to two percent had been predicted.

Higher interest rates could bring the property market further off its recent peak, a property expert predicted.

What you will have to pay

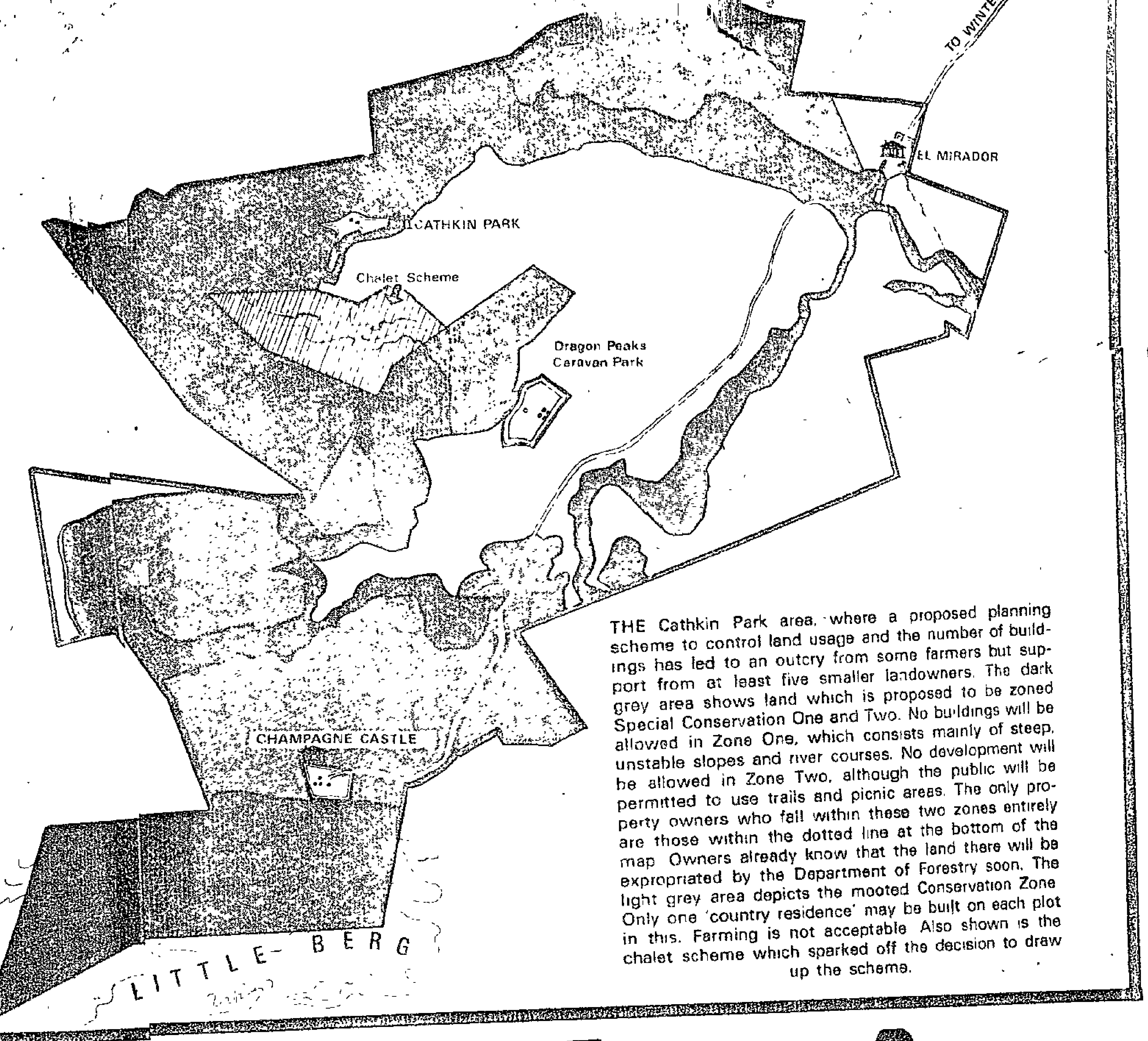
Amount of bond	Term	Current rate	Amount	New rate	Amount
R10 000	30 years	9 percent	R85,50	9,75 percent	R89,02
R20 000	25 years	9,5 percent	R174,71	10,25 percent	R185,28
R30 000	20 years	10 percent	R289,50	10,75 percent	R304,50
R40 000	20 years	10,5 percent	R399,36	11,25 percent	R419,70
R50 000	20 years	11 percent	R516,10	11,75 percent	R541,81

The High Mathematics/Statistics curricula are intended for students with a good background in mathematics. The attention of students interested in these curricula is drawn to the entrance requirements for Mathematics I, as detailed in the entry of the Department of Mathematics in the last section of this prospectus.

The big Berg plan

'We want to protect what we think people value'

58 ~~7~~ NM 30/12/80



THE Cathkin Park area, where a proposed planning scheme to control land usage and the number of buildings has led to an outcry from some farmers but support from at least five smaller landowners. The dark grey area shows land which is proposed to be zoned Special Conservation One and Two. No buildings will be allowed in Zone One, which consists mainly of steep, unstable slopes and river courses. No development will be allowed in Zone Two, although the public will be permitted to use trails and picnic areas. The only property owners who fall within these two zones entirely are those within the dotted line at the bottom of the map. Owners already know that the land there will be expropriated by the Department of Forestry soon. The light grey area depicts the mooted Conservation Zone. Only one 'country residence' may be built on each plot in this. Farming is not acceptable. Also shown is the chalet scheme which sparked off the decision to draw up the scheme.

Political Reporter

PEOPLE genuinely interested in conserving the character of the Drakensberg would not judge as harsh a draft planning scheme for the Cathkin Park area, Mr Ernest Froud, Natal's principal town planner who supervised the planning team, said yesterday. cont

The scheme, now open for inspection at Cathkin Park and in Pietermaritz- plot owner would not be permitted to build on certain parts of his land. In some cases, a landowner could apply for special consent to build or graze animals in certain areas.

Clauses in the planning scheme could be changed after representations and objections.

The scheme clauses related to the reservation of land for certain purposes, the prescription of building lines and sidespace on plots, building restrictions and the use of land — which pertained to the zoning of property — and floor area ratio and lot control. The proposed zone areas and uses were:

The river reserve, which was defined by the 20-year floodline along the banks of main river courses, and a 10m wide strip on either side of all streams. The public could only enter this zone along demarcated footpaths. The aim was to protect indigenous flora and fauna, the sources and resources of water supplies and to prevent soil erosion.

All works were prohibited, including the removal of stone for building purposes, unless special consent had been given.

Mr Froud said it was not the intention to deprive private owners of their fishing rights. In most cases, trout fishing on private property was controlled by the owner.

The Limited Agriculture One zone was one in which buildings could be used for farming, living or for amenity purposes. The land could be used for limited agriculture — excluding intensive farming such as poultry and pig ~~and~~ breeding animals; rural residential land — on which a 'country residence' could be built as long as the 'quality of the environment is protected'; and special conservation — which included areas from which the public would be excluded except on demarcated footpaths and picnic areas. No indigenous vegetation or natural material could be removed. By special consent, educational buildings and hostels could be built.

On land zoned Limited Agriculture Two special consent would be needed to set up camping grounds, caravan parks, holiday unit developments or hotels. Places of public amusement could be included. It would also be possible to make application for the use by special consent of land in the zone for private recreation. Agricultural and amenity buildings and living quarters were generally acceptable. The land in this zone was restricted to limit 1 agriculture and rural residential.

One dwelling could be erected on land zoned Conservation, with an agricultural building needing special consent. The land could be used for amenities, rural residential and special conservation, with limited agriculture permitted by special consent.

No buildings would be permitted on land zoned Special Conservation One, while land zoned Special Conservation Two had provision for amenity land, on which the public would be permitted for 'passive recreation'.

Other zones included the hotel zone — there were three hotels in the valley — the caravan park zone, and the education zone.

There could be no further sub-divisions in Conservation zones and only one house could be built on each plot. Parking, landscaping, maintenance and a limitation to 5 ha were additional controls proposed for Hotel zones.

Mrs Val Spearman, a town planner closely involved in drawing up the proposed scheme, said the external appearance of buildings in the area was controlled more rigidly than in other local authority areas.

For example, it was felt that buildings should not be white, nor should they be on the skyline. Certain colours were prescribed.

Plots could not be sub-divided below 20 ha, but this limitation could be reviewed after a period. No-one would be prevented from building a house on his plot because of the proposed zonings.

Special conservation areas included those which contained indigenous forest and in many cases the ground was so steep that it was subject to land slides.

The proposal to protect waterways by suggesting farmers pump water to points away from sensitive rivers and streams to prevent erosion by cattle would probably have to be changed following objections from farmers.

'Most people who live here do nothing to change the habitat, not even gardening. They just enjoy the Berg as it is. And that is what we want to protect.'

The scheme, now open for inspection at Cathkin Park and in Pietermaritzburg, suggests controls aimed at preserving the character of the Sterkspruit Valley, which included the Champagne Castle, Cathkin Peak, El Mirador, Mount Memory and Dragon Peaks areas. The Drakensberg Boys Choir School was also in the valley

'I don't see how these regulations can be considered harsh because they are exactly the conditions which will protect what we think this sort of people value in the Berg.'

The proposals centred on the zoning of the 3 800 ha area into seven zones, with varying restrictions placed on the erection of buildings and the use of land in each zone.

Mr Froud said the proposals removed some rights which landowners now enjoyed. The right to breed and graze animals on certain parts would be removed and a