FINANCE

2-1-80 — 31-3-80

58

BUSINESS

Banks agree — no separate ways

By Pieter de Vos

Is there any purpose in separate banks for separate racial groups? South African banks seem to be divided on investments in banking services which cater for specific groups.

Standard has hitched itself to the New Republic Bank with a 50 percent share, Barclays has taken over Spes Bona from the Coloured Development Corporation, but absorbed its banking operations into the company, and Volkskas owns 50 percent of the Bank of Transkei.

Nedbank does not have any plans to open a banking service to cater for any specific group. Mr Koos de Wet, Press Relations officer says Nedbank believes in service, and does not draw any distinction among the different racial groups.

Nedbank believes banking services are needed where the people work. Some branches do draw their clients mainly from the black sector, but they were planned more with their strategic placing in mind than a desire to serve a certain group through certain outlets.

Barclays has a very similar attitude towards ethnic banking. The Spes Bona's banking licence ended when Barclays took over part of the business from the CDC in October last year.

"Barclays does not believe in separating out the interests of individual ethnic sections of the population," a spokesman said.

AMBIVALENT

Barclays does have branches in Soweto, Transkei and the homelands which cater mainly for blacks, but the bank stresses that these do not provide services exclusively for blacks.

"We cater for all, irrespective of race and colour," the spokesman said.

The Standard's attitude towards ethnic banking seems to be more ambivalent with its 50 percent stake in the New Republic Bank.

Though NRB's profit record is variable, it pays its way. Its asset growth was more than 11 percent [illegible] in the

has already been reached, which compares with R84 069 in the previous full financial year.

The estimate of more than R360 000 for the full year is far in excess of the previous record of R127 427 in 1976.

Standard Bank, however, measures NRB not only by its profits, but sees the banking service as part of its duty towards the Indian community.

The Standard Bank "tends to support the idea of integrated banking," a spokesman says, "but regards ethnic banking as a fact of life — and its responsibility to support."

But Standard Bank is not considering further involvement in ethnic banking. Two factors are taken into account. The country is on the threshold of political change, and the black market response towards ethnic banks, such as African Bank, is found to be a "little disappointing."

Even an ethnic bank itself such as the New Republic Bank does not concentrate exclusively on Indian clients. It draws support in an open market, says Mr J N Reddy, chairman.

And African Bank — which its chairman, Mr Sam Motsuenyane, hopes will become as much of a monument to the black man's advance in the business world as Volkskas or Sanlam have become to the Afrikaner's advance — relies strongly on white investment support.

Estimates are that 60 percent of its deposits come from white companies.

Growth in assets of more than 76 percent to R14,58m for the financial year ended October 31 is expected, boosted mainly through a rise from R6,7m to R12,2m in deposits.

Profits — the bank's first for a full year since its establishment in 1976 — are expected to be between R50 000 and R60 000.

Volkskas is firmly committed to ethnic banking with the establishment of the Bank of Transkei, in which it has given the people of Transkei a 50 percent share. But this does not represent an attempt to create separate facilities for separate groups, as the bank incorporates Volkskas's previous Butterworth and Umtata branches.

Further development on the black market will not take place in the guise of an ethnic identity either. The bank is looking for premises in Soweto to open a branch.

Those who have direct ethnic banking interests, obviously believe that it has a future. Those who don't, see little merit in "apartheid" banking.

However, in view of the rising living standards of all the peoples of Southern Africa and the black man's disposable income rising, non-white customers are there to be courted one way or another.

	ASSETS 1976	1977	1978	1979	PROFITS (loss) 1976	1977	1978	1979
AFRICAN BANK	R2,60m	R4,90m	R8,03m	R14,58m	(R130 435)	(R190 172)	(R38 823)	R50 000 to R60 000
NEW REPUBLIC BANK	R10,79m	R10,55m	R12,62m	R13,60m	R127 427	R93 993	R72 172	R84 069
BANK OF TRANSKEI	—	R1,01m	R38,16m	R49,60m	—	R3 865	R223 612	R334 892

	W M	W F	A M	A F
0–1	21,76	16,18	40,44	27,11
1–4	1,17	0,94	2,42	2,39
5–24	1,05	0,46	1,31	0,74
25–44	3,02	1,47	4,33	2,48
45–64	17,46	9,49	26,27	18,72
65+	73,62	54,55	92,20	82,93
ALL	9,44	7,40	8,03	5,51
NO.	19600	15374	2828	1967

SYMPTOMS AND ILL-DEFINED CONDITIONS

92

XVI

93

DIAGONAL STREET

Soaring on gold

FM 4/1/80

Afghanistan and Iran have spurred bullion to levels brokers did not dream possible before the Christmas break. Daily volumes in Diagonal Street in the three trading days since Christmas have held up at around R12m — mostly on the gold board — as both local and foreign buyers swept in on the golden crest.

In the past month, bullion has climbed more than $100. The afternoon fix on November 30 was $417,20. By Wednesday this week the metal was fixed at $559,50 in the afternoon. Other precious metals followed suit with free market platinum hitting an all-time high of $720 compared with $700 last Thursday, while silver hit 1 700p/oz (1 108p).

The past three trading days have seen a wide range of gold shares as well as the two major platinum counters break through to new highs. The golds include a wide range of spec counters. Village moved to new peaks as did Simmers and ERPM.

The gold price pulled the JSE gold index up 101,7% in the past year. Brokers see an even higher index in the near term, but few are prepared to venture a forecast longer than a couple of months hence. As the only market booming at the moment, Diagonal's strength is suspect, says one broker.

Other metal shares have failed to match the performance of the gold board. Platinums appreciated 10% in the past week with Rustenburg and Impala on new highs. In the past 12 months the board has advanced 79% while the free market metal price more than doubled.

Coals have had a good run with most leading collieries chalking up new highs since Christmas. This year some brokers look to this section as being one of the better prospects.

The industrial board which looked toppish before the Christmas break continues to advance with huge gains in the past week. Trust Bank has been a feature in the volume and price statistics, while shares like Tedelex and Abercom have appreciated between 10% and 25%. The only cash shell, Skye, put on 40c since Christmas to the current 100c.

Des Kilalea

Army objector dismissed by his firm

Star 5/1/80 58 254 337

Own Correspondent

CAPE TOWN — Conscientious objector, Peter Moll sentenced to 18 months' detention by a military court last month, has been dismissed from his trainee actuary position at Old Mutual.

The company has a policy forbidding employees from attracting attention to themselves through active involvement in politics and religion.

Moll (23), of Mowbray, was convicted for the third time on December 4 for failing to report for military service.

A company spokesman confirmed yesterday that Moll's services had been terminated.

His re-employment would depend on the "circumstances prevailing at the time of his release, such as his own attitude and the staff vacancy situation," the spokesman said.

Moll is serving his sentence in the detention barracks at Voortrekkerhoogte.

Moll, a former University of Cape Town student, who completed his national service in 1974, was first convicted of not complying with call-up instructions in 1977. He was given a three-month suspended sentence.

Subsequently he was fined R50 by a military court in September and later jailed.

At the third trial Moll's counsel told the court his outlook had changed in 1977 when he became an objector to participating in what he termed an "unjust war."

He said he was prepared to do further periods of training "in the national interest under civilian direction."

His objection was based on Calvin's criteria of a just war.

He said all the paths to a peaceful settlement in South Africa had not been explored hence his reluctance to participate in the war.

It was submitted that in terms of the act Moll had "good reason" to object to service.

Objector loses his job

A CONSCIENTIOUS objector, Mr Peter Moll, 23, who was sentenced to 18 months' detention by a military court last month, has been dismissed from his job at the Old Mutual in Cape Town

New Era dawns in the black insurance field

S-Times 6/1/80

By JOHN SPIRA

58

NEW ERA LIFE, a new insurance company with a potential market in excess of R300-million in annual premium income, opened its doors this week to cater for the needs of our dynamically changing black society.

It is being launched with the slogan "We Care" and its premiums will in no way be loaded on a racial basis.

If it succeeds in living up to its objectives of providing policyholders with accurate information, guaranteed benefits, policies tailored to the needs of the blacks and the strict avoidance of misleading data, it will have filled a gaping void in an industry in which blacks have been mercilessly exploited.

New Era has a share capital of R1-million, of which the majority is held by the Corporation for Economic Development (CED).

It is envisaged that a public offer of shares in the company will be made once New Era has established a firm presence in the market.

And, in due course, the CED will withdraw from its involvement in the company.

Nick Gebhardt, chief executive of the new company, tells Business Times it will operate with its own hand-picked agency force and will also enjoy the support of two of South Africa's major broking houses.

He says it's the first life office in South Africa to have been formed with the sole purpose of catering for blacks.

New Era is budgeting for annual premium income of R310 000 by the end of 1981 but hopes to exceed this figure by a "handsome margin".

Marketing executive Graham Meiring says there's some pretty severe competition, but he believes they can meet the challenge.

"It is common knowledge," claims Mr Meiring, "that black incomes have doubled and virtually redoubled over the past five to six years so that the average urban household income for blacks is now not lower than R200 to R300 a month.

"With equalisation of opportunities and incomes it is not unreasonable to expect that average black urban household incomes will reach beyond R1 000 a month within five years."

Non-white urban households currently number 1 238 000, comprising 847 000 black, 287 000 coloured and 104 000 Asiatic units

These figures are expected to rise to 1 016 000, 344 000 and 125 000 respectively by 1985.

New Era is offering:

- A basic policy which offers "cash in my own lifetime" satisfaction.
- A death benefit to cover the event of the untimely death of the proposer.
- Accidental death benefits which increase the payout should the demise be untimely and by accident.
- Accidental disability benefits to cover the loss of limbs or eyes or the use of ears.
- Waiver of premium in the event of disability through accident or sickness to guarantee the maturity value realisation at the expiry of the term or the death benefit if earlier.
- Extras can be purchased in units costing R1 a month extra to provide cash bonuses paid out at five year intervals, increased maturity values, increased death (natural) bene fits and family funeral benefits

Call-up objector Moll is fired

Own Correspondent

CAPE TOWN — Mr Peter Moll, the conscientious objector sentenced to 18 months imprisonment last month for ignoring a military call-up, has been fired by his employer, the Old Mutual.

The firm has a policy denying its employees the right to attract attention to themselves by engaging in high profile religious or political activities, it was reported at the weekend.

The Progressive Federal Party spokesman on Defence matters, Mr Harry Schwarz, said yesterday he personally believed "what a man does in his private time and private life is his own business" and should not affect employment.

"However there are many other firms who do exactly the same thing and this is not unique either in South Africa nor overseas."

Mr Moll, 23, was a trainee actuary at the time of his conviction — his third for failing to obey a call-up.

He is serving his sentence in Pretoria at the Voortrekkerhoogte detention barracks.

In 1977 Mr Moll completed his initial period of military service but subsequently refused to attend training camps as he believed South Africa was engaged in an "unjust war".

Mrs B M Moll said in East London yesterday that she did not blame the Old Mutual for firing her son, who was fully aware of the conditions of his employment.

She did object to the firm's demand for monthly instalments on a R5 500 debt.

She said the company was aware that he was jailed for 18 months and would not be able to pay the instalments.

Mrs Moll said her son is "even more steadfast and cheerful than before" and intends studying German and Theology this year.

"It has taken me two years to understand how Peter feels," Mrs Moll said.

She said the Old Mutual had told her son that he would be welcome to rejoin the firm on his release if he could assure them there would be no further interruptions in his service.

The Star Tuesday January 8 1980 15

STAR 8/1/80

Gold holdings rise R635m

South African gold holdings rose R635,04m in December to R3,68 billion from R3,05 billion in November, the Reserve Bank reports.

Gold reserves were valued at R366,91 an ounce at the end of December compared with R301,94 at the end of November, based on the average of the last 10 London gold fixings, less 10 percent.

The Reserve Bank said in its monthly reserve statement that total reserves, including old, rose R551,77m to R4,03 billion from R3,48 billion in November.

Bills rose R4,13m to R31,16m and investments R5,45m to R39,03m while other assets fell R92,94m to R284,13m.

● The reserve Bank indicated spot rate firmed to 1,2107/27 from the previous level of 1,2092/12.

The forward discount was unchanged at five percent. — Reuter.

the relevant deed; or

(*c*) depriving any person of any exemption or right to be indemnified in respect of anything done or omitted to be done by him while any provision referred to in paragraph (*b*) was in force.

(3) So long as any trustee under a trust deed remains entitled to the benefit of a provision saved by subsection (2) (*b*) or (*c*) the benefit of that provision may be given either—

(*a*) to all trustees under the deed, present and future; or

(*b*) to any named trustee or proposed trustee thereunder,

by a resolution passed by a majority of not less than three-fourths in value of the debenture-holders present in person or by proxy at a meeting summoned for the purpose in accordance with the provisions of the deed or, if the deed makes no provision for summoning meetings, at a meeting summoned for the purpose in any manner approved by the Court.

124. Power to re-issue redeemed debentures in certain cases.—(1) Where a company has redeemed any debentures previously issued, not being debentures convertible into shares of the company, it shall, unless its articles or the conditions of issue of such debentures expressly otherwise provide or the debentures have been redeemed in pursuance of any obligation on the part of the company to redeem them (not being an obligation enforceable only by the person to whom the redeemed debentures were issued or his successors in title) have and be deemed at all times to have had power to keep the debentures alive for the purpose of re-issue, and, where a company has purported to exercise such a power, it shall have and be deemed at all times to have had power to re-issue the debentures either by re-issuing the same debentures or by issuing other debentures in their place, and upon such a re-issue the person entitled to the debentures shall have and shall be deemed at all times to have had the same rights and priorities as if the debentures had not previously been issued.

(2) Where with the object of keeping debentures alive for the purpose of re-issue, they have been transferred to a nominee of the company, a transfer from that nominee shall be deemed to be a re-issue for the purposes of this section.

(3) Where a company had deposited any of its debentures to secure advances from time to time on current account or otherwise, the debentures shall not be deemed to have been redeemed by reason only of the account of the company having ceased to be in debit whilst the debentures remained so deposited.

la programme ...
tions with Ghana or other countries like Nigeria and Tanzania. She pointed out that the Soviets' national sport is chess and their foreign policy reflects

the hand is won or lost. Then, after a drag on the cigarette and another sip of whiskey, it looks around for the next hand to be played

(38) FM 11/1/80

INTEREST RATES

Investors cautious

Not even the spiralling gold price appears enough to bring confidence back to institutional investors in fixed interest stocks. After the long slide of the past few years, their caution over the future direction of long-term interest rates is clearly reflected in recent erratic swings in trading rates.

For example, the rate on long-dated RSA stocks jumped from around 9.18% in early December to touch 9.4% just before the new year — admittedly in very thin trading — before easing back to their current level of around 9.19%. Long-term Escoms hardened by about ten points to 9.6% over the same period before falling back to between 9.43% and 9.50%, depending on the coupons.

Senbank capital market manager Peter du Toit is one who thinks long term rates are poised "to drift lower." He estimates that the institutions' cash flow for this year will amount to around R2.8 billion, while their prescribed requirements (on the present basis) should amount to only around R1.2 billion — made up of R600m for semi-gilts, R300m for gilts and R300m which he estimates the institutions will hold as cash. This would leave roughly R1.6 billion for discretionary investment, of which about R400m could be made available for private sector issues and mortgages and the rest for property and the stock market.

On this basis, Du Toit expects long-dated Escoms to fall soon to around 9.25%. Overall optimism is so high, says Du Toit, that even if there was a $200 reaction in the gold price later this year, it would not significantly change this outlook.

UAL capital market manager Nick Fredericksz is more cautious. He also warns that institutions like banks and building societies which have been heavy buyers of fixed-interest securities during the past two years, could this year begin off-loading large volumes of this paper as loan demand revives. Fredericksz also draws attention to the PDC, whose cash flow for 1980, he estimates, will amount to some R1.5 billion, of which he expects around R1.25 billion to flow into gilts and R250m into semi-gilts.

On balance, he thinks that demand should closely match supply and that interest rates will tend to fluctuate very little from their present levels in the next few months.

Discount House's Ian Huddy agrees with Du Toit that long-term rates must ease, although he sees 9% on gilts as the "psychological barrier" to investors — particularly if the inflation rate appears likely to maintain its current 13% level — although the October-November annualised rate of about 4% might indicate otherwise.

However, Huddy does not anticipate sharp falls in either long or short-term rates. "The Reserve Bank," he asserts, "seems to have the situation well under control," and will enter the market to neutralise excess liquidity.

Liberty Life investment manager, Roy McAlpine, confirms the institutions' reluctance to commit large volumes of liquid funds into long-term investments, and his view reflects the general uncertainty in the market. He points out that a number of the larger institutions are using significant portions of current cash flows to meet forward commitments entered into over the last 12 months at rates substantially higher than those currently prevailing.

Adds McAlpine: "With inflation as high as it is, making for current negative yields of between 4% and 6% on fixed-interest securities, investors would have to be pretty optimistic to go in heavily for long-term paper".

He agrees that sound economic growth should mean substantially higher profits and dividends for industrial companies, thereby increasing the attraction of equities. But he cautions that, with the *RDM* index now having crossed the 450 level — nearly treble what it was when the bull market began — institutions will become "much more selective in their equity buying."

Also encouraging hesitancy is the likelihood that institutions' prescribed investment requirements will be reduced this year.

Another important imponderable is the March budget. For the extent of its fiscal stimulus could have a material influence on the speed of recovery in business activity.

Some economists believe, moreover, that it would be an advantage if market forces were allowed more influence in determining the rand's external value. The essence of this view is the belief that the rand should appreciate over the year, thereby reducing the trade surplus which, in turn, would curtail the build-up of liquidity in the financial system and this would, in its turn, eventually lead to rising interest rates.

And, by lowering import costs, this would also encourage capital investment and reduce imported inflationary pressures.

Inflation is, of course, a major factor in the determination of long-term interest rates and, in contrast to SA's current domestic situation, the world outlook in this respect remains gloomy. Domestic inflationary pressures are declining, although the costs of fuel and food could rise sharply.

On balance, the *FM* can see no signs yet of a distinctive long-term domestic interest rate trend, especially as exchange rate policy appears to be inert. The lack of any market consensus is symptomatic of the additional world political and economic uncertainties.

In the months ahead, therefore, the *FM* expects further erratic movements in long-term rates — modified in their extremity by central bank intervention — as the market weighs up an unusually complex outlook.

58

BANK FINANCE

Letting out rope 11/1/80

Banks are likely shortly to be allowed to issue additional negotiable certificates of deposit (NCDs) — especially longer term ones — which could give additional impetus to the writing of leases.

Currently, banks may issue NCDs, used by them to buy in money as an alternative to attracting deposits, up to 20% of their liabilities to the public. However, approaches have now been made to Registrar of Financial Institutions, Wynand Louw, to have this proportion increased to at least 30%. The extra 10% will probably consist of longer-term NCDs, with a maturity of 24 months.

It is believed the Association of General Banks' president, Ron Rundle, is the man behind the move.

There is talk in the industry that the Registrar will, in fact, approve an increase to 40%, as long as a portion of the extra NCDs are issued in the form of two to five-year paper.

The proposals, which have yet to be formally ratified by the authorities, would allow banks, and general banks in particular, to restructure their funding of longer term liabilities more appropriately, especially so far as long-term lease funding is concerned. So leasing banks should stand to benefit most from the longer NCDs, as long-term retail deposits have been increasingly hard to find.

A secondary aim is to allow the institutions to raise more cash from the money market and thus reduce excess liquidity in the financial system.

However, says Wesbank's Chris Ball, hp banks may find a difficulty in that a market for this longer paper may not initially exist at attractive rates. Some money market men concur that this sort of paper has not, in the past, proved an easy asset in which to trade

As a result, it is unlikely that there will be any immediate leap in the amount of paper on offer by the banks.

As one money market manager puts it, the latest moves amount to "cautious future planning," although the extra flexibility is obviously welcome. "The hp banks have little in the way of a retail deposit base," he says, "and have to rely on wholesale funds for much of their money. This source should be facilitated by the new rules."

It is the smaller banks, says Nedbank's Arrie van Vliet, that will benefit most from the move. In a tight money market, the small banks often have a problem in finding cash and, because of their lack of resources, may be unable to match rising demand for funds.

A further problem arises, particularly for the smaller banks, as a result of the negotiable nature of NCDs. It was for this reason that the Registrar imposed the 20% limit during the deposit crisis some small banks faced about four years ago.

Once an NCD is issued by the bank and sold by the original purchaser, it can no longer easily be traced. If the issuing bank wishes to hold the amount on maturity by offering better terms, the holder is often difficult to find. But measures to trace holders of this type of paper may be part of the new rules.

One consequence of a rise in NCD limits could be a firming of rates in the money market. As banks issue NCDs' liquidity in the money market could be reduced, forcing up short-term rates.

In any event, the 20% NCD rule, while justified at the time, is one that should be adapted to changing circumstances and longer term NCDs will certainly add a further dimension to the money market.

BLACK BUSINESS FM 11/1/80

Points of partnership

Black and white business partnerships in the townships continue to arouse a great deal of controversy. This was spotlighted this week at a National African Federated Chambers of Commerce conference in Johannesburg.

Nafcoc president, Sam Motsuenyane, noted that black businessmen must accept these partnerships as an inevitable development. But he added a rider. "The view has repeatedly been expressed in Nafcoc circles that wealth and opportunity disparities among the various races in SA have created an immense barrier to the emergence of a genuine spirit of black-white partnership."

Last year, Nafcoc got member endorsement for the following terms for black-white business partnerships:

- All discriminatory regulations and policies affecting blacks in the economy to be repealed as soon as possible,
- Black businessmen trading in black areas should, for the time being, be protected against unfair competition from white businessmen;
- Partnerships should not be imposed upon blacks against their will, but rather left to emerge naturally;
- As far as possible, business partnerships should be free of government participation;
- The primary objective in any partnership venture in black areas must be to ensure that blacks derive the maximum benefits;
- Partnerships should not always be thought of in terms of black and white. Other forms of partnerships between blacks and blacks should also be tried;
- Black-white partnerships must be fairly extended to both black and white markets; and
- Black access to capital and know-how should not primarily depend on the formation of black-white partnerships. Suitable conditions must be created whereby blacks can obtain know-how without undue hardship.

Motsuenyane cited the case of Soweto: "There is already fear that some well-known white retail chains are making an effort at setting up outlets in or on the periphery of the township." This fear, justified or unjustified, he went on, had already caused the Soweto Chamber of Commerce and Industry to organise a petition against any white retail firm contemplating outlets there.

DIAGONAL STREET (3)

Uncertain buyers

Uncertainty was the predominant feature on the JSE this week as bullion traded in narrow band and there were few new decisive developments in Asia. Bullion dipped below $600 on Wednesday morning before rising to $607,20 at the afternoon fix. In line with this relatively staid performance, gold shares were fairly dull during the week as buyers pondered the longevity of the boom.

The JSE gold index started the week on 502,2 before falling to 468,5 on Thursday. By Monday evening however, mostly local buying had pushed the index up to 507,7. But it came off the top by the close on Wednesday at 485,9 with only selected marginals in demand.

Even though uncertainty was the keynote of trading on Tuesday and Wednesday, the week was characterised by large turnovers. Average daily turnover was 5,7m shares valued at R22,9m — mostly on the gold board. The equivalent figures for a year ago are 1,9m shares valued at R1,9m. At that time bullion was $224 and the JSE gold index 254,8.

The gold mining quarterly reports should have stimulated interest with calculations based on an average bullion price of roughly $400. Instead, prices either moved sideways or down. Brokers all comment on the high degree of nervousness in the market. This could be related to the strong Western reaction which appears to have, to an extent, contained the Soviets in Afghanistan.

With the US running into a recession and the possibility of further fuel price increases, world oil consumption is likely to level off. This could reduce pressure on the dollar, say brokers, with a consequent weakening of the gold price. Talk of Opec switching to a basket of currencies for pricing oil appears unlikely, and there is a possibility of less industrial demand for gold, which points to downside pressure.

Most brokers agree that the market is near the top. There is no clear answer however as to how long it will hold up and whether it will end with a rapid [illegible]-off or a slow peaking. Many local brokers say bullion will see $400 before $1 000 as some analysts have suggested. The metal could well rise up to about $750 in the near future taking the gold board up with it. The largest share moves, says one dealer, will be in the "rats and mice" like Village, Simmers, Loraine and Vlaks. He says the market is too nervous at present to be at the top. Peaking occurs only in "euphoric conditions". According to this view anyone hoping to invest in gold now has to be agile, getting in and out fast in a matter of some six weeks.

Most agree recent events have raised bullion's floor price but that any plunge from current levels could shatter the gold share boom. However some believe that the fact that gold shares are cheaper now than when bullion was at $400 is more likely to push prices higher than knock them lower for some months.

One broker says with the mines' profitability improving the shares look "very good value". And he can see no reason

	Current	Week ago	Month ago	Year ago
RDM 100	467,4	451,2	429,5	278,9
% change on		[illegible]	[illegible]	[illegible]
P E ratio	6,5	[illegible]	[illegible]	[illegible]
Div yield	5,6	[illegible]	[illegible]	[illegible]
UK FT Ind	415,6	414,2	423,3	482,2
% change on		[illegible]	[illegible]	[illegible]
P E ratio	6,3	[illegible]	[illegible]	[illegible]
Div yield	7,8	7,8	[illegible]	[illegible]
US Dow Jones	851,7	838,7	824,9	831,4
% change on		[illegible]	[illegible]	[illegible]
P E ratio★	7,8	[illegible]	[illegible]	9,0
Div yield★	6,2	5,8	[illegible]	[illegible]
Gold price (in US $ on London)	617,0	526,5	429,0	222,9
% change on		[illegible]	[illegible]	[illegible]
Krugerrand (Rand)				
Public selling price	581,0	470,0	410,9	224,0
% change on		[illegible]	41,1	151,4

★Standard & Poor index

Public buying price is 10% below, subject to negotiation

UNIT TRUST STATISTICS

	Quarter to December 31 1978		1979	
	Rm			
Market value of trusts†	382,9		576,7	
Sales	8,3		13,7	
Repurchases	11,3		17,8	
Nett flow	—3,0		—4,1	
Portfolio analysis	Rm	%	Rm	%
Gold	18,9	4,9	27,7	4,8
Mining finance	50,7	13,3	102,7	17,8
Other mining	64,9	17,0	86,2	15,0
Industrials (including industrial finance)	196,2	51,3	283,3	49,1
Foreign investments	6,6	1,7	6,2	1,1
Total equities	337,4	88,2	506,1	87,8
Liquid assets	39,9	10,4	55,0	9,5
Other securities	5,4	1,4	15,6	2,7
Market value of trusts†	382,9	100,0	576,7	100,0
Number of trusts	11		12	

† Does not include compulsory charges

UNIT TRUSTS

58

Still paying

FM 11/1/80

For those investors who climbed on to the unit trust bandwagon ahead of the 1969 market collapse, and who held on in the hope of a possible reversal of their fortunes, the latest quarterly results must seem to have made the wait worthwhile. So, too, for those who came aboard at various times over the past decade — the income seekers who were prepared to ride out the peaks and troughs of the market in anticipation of better things to come.

Obviously, some of the stale bulls have taken their profits and opted to play the market alone. Yet for those investors looking for a low yielding but concurrently low-risk investment, without the headache of continual board watching, the trusts now look like doing their job.

That the unit trust index peaked at 308,18 at end-1979 — a 19% gain on the previous quarter and 59% ahead for the year — comes as no surprise. The units tend to mirror the performance of the market, because of their spread, and the past six months have seen dramatic rises in the ratings of the majority of those quoted companies included in the trusts' portfolios. And, of course, improved dividend income has not harmed matters.

There is no doubt that investors who bought their units after the 1969 collapse could have done better had they chosen their sectors carefully. In the past year, coal has moved 67,4% and gold would have more than doubled their money, as would investment in the mining house sector. And a spread portfolio of industrials could have given investors even more than the 69% advance recorded by the *RDM 100* index. On the other hand, the diamond sector only advanced 30%, investment trusts slightly underperformed the unit trusts, banks moved 46% and pharmaceuticals not at all.

HOW THE UNITS MOVED

	Jan 10* 1979	Jan 9* 1980	% gain
	c		
Old Mutual	193,36	308,91	59,8
NGF	119,15	197,80	66,0
Sage	210,26	329,80†	56,9
UAL	202,08	315,82	56,3
Sats	86,08	140,77	63,5
Sanlam	197,24	308,10	56,2
Trust	59,03	96,13	62,8
Santamgro	85,47	136,83	60,1
Syfrets	59,52	89,17	49,8
Guardbank	174,29	281,38	61,4
Standard	127,39	203,31	59,6

*Based on buying prices †Jan 8 1980

Also backing up the growth in the price performance index was an 18,7% advance in the unit trust income index for the year, which hit 386,7.

There were no large changes in the overall portfolios of the various trusts over the year, although the sweeping rises in the gold price have frightened fund managers at various times, leading to cutbacks in the number of gold shares held. Overall gold holdings represented 4,8% (4,9%) of the market value of the trusts at end-December, down from the 5,2% at the end of the previous quarter.

Mining financial holdings were well up at 17,8% (13,3%), and other mines shed 2% to 15%. Industrials were also a shade lower at 49,1% (51,3%), as were foreign investments and liquid assets, which followed the rising equities market at the beginning of the third quarter.

For the individual trusts, NGF joined Old Mutual in the R100m size stakes. Old Mutual, still the largest, grew 16,8% in asset value since the last quarter, to R126,1m (R108,0m). There were no significant changes in its portfolio, except the sale of all 96 900 SAAN and 130 000 Dunlop. Safmarine, which was not represented at end-September, now comes in with 122 208 shares, representing 0,26% of the total portfolio.

Mutual's buying price appreciated nearly 60% over the past year, and its yield of 3,7% is the second lowest behind NGF, which currently yields 3,54%.

NGF's portfolio value rose 15,5% during the quarter to R103,4m (R89,5m). It made no purchases during the period, but sold, *inter alia*, 235 000 SAB, 115 000 Nedbank, 90 000 De Beers and 1 200 Amgold. Its 66,0% purchase price increase was the highest for the year, probably giving rise to the relatively low yield. It still holds the highest proportion of Barlows, Anglo and De Beers, as well as substantial holdings in Genmin and Sentrachem. This could be one to watch over the next year, especially if the market eases.

Sage remains the third biggest fund and its R78,4m (R67,8m) portfolio value was 15,6% ahead of the previous quarter. The unit selling price broke the 300c barrier for the first time during the quarter, and the buying price advanced nearly 57% over the past year.

Also, total income distribution was 32,5% ahead on the year, at a record 15,5c a unit. Changes in the portfolio included "additional selective investments on Wall Street," and a moderately reduced investment in golds.

Standard Bank Mutual Fund recorded the biggest gains in portfolio size over the

PICK OF THE SHARES

% of total fund

	Barlow Rand	Anglo American	De Beers	Anamint	Nedbank	SAB
Old Mutual	5,40	7,05	3,39	4,54	5,30	5,14
NGF	11,60	9,30	7,20	7,30	n/a	5,60
Sage	6,12	5,04	4,11	—	6,46	6,11
UAL	6,33	8,16	2,11	6,60	5,31	5,78
Guardbank	3,20	5,11	2,80	3,27	3,97	3,95
Sanlam	5,70	7,30	5,60	3,60	n/a	4,80
Trust	4,30	3,90	5,50	n/a	3,80	4,20
Sats	6,70	8,40	6,80	7,30	—	4,90
Syfrets	—	—	3,26	4,62	4,21	2,99
Standard	4,26	5,18	3,81	4,21	2,00	4,67
Santamgro	5,50	6,70	n/a	n/a	n/a	n/a

why mining houses and mining financials should together have appreciated on average more than gold shares. Over the past year golds have advanced 107% while mining houses moved 103% and mining holding shares 168%.

Platinum shares responded in much the same way as golds. The shares were strong until Wednesday, when they erased part of the previous four days' 13% gain This followed on the free market metal price falling from last Thursday's $805 high.

In other metals, coppers put on a modest 3% and tins 1% The coal board had another good run with new highs being registered during the week. On Wednesday Rand London announced it was floating off its coal interests to raise R10m, thereby taking advantage of the energy attractions of the coal board and current high prices.

The industrial market continued its upward move, with the *RDM 100* ahead on the week at 467,4 (451,2). An escalating gold price is cited as one factor for the overall investor confidence, but with bullish sentiments being expressed concerning the economic trends for at least the early part of the next decade, investors appear to have a sound reason for staying aboard.

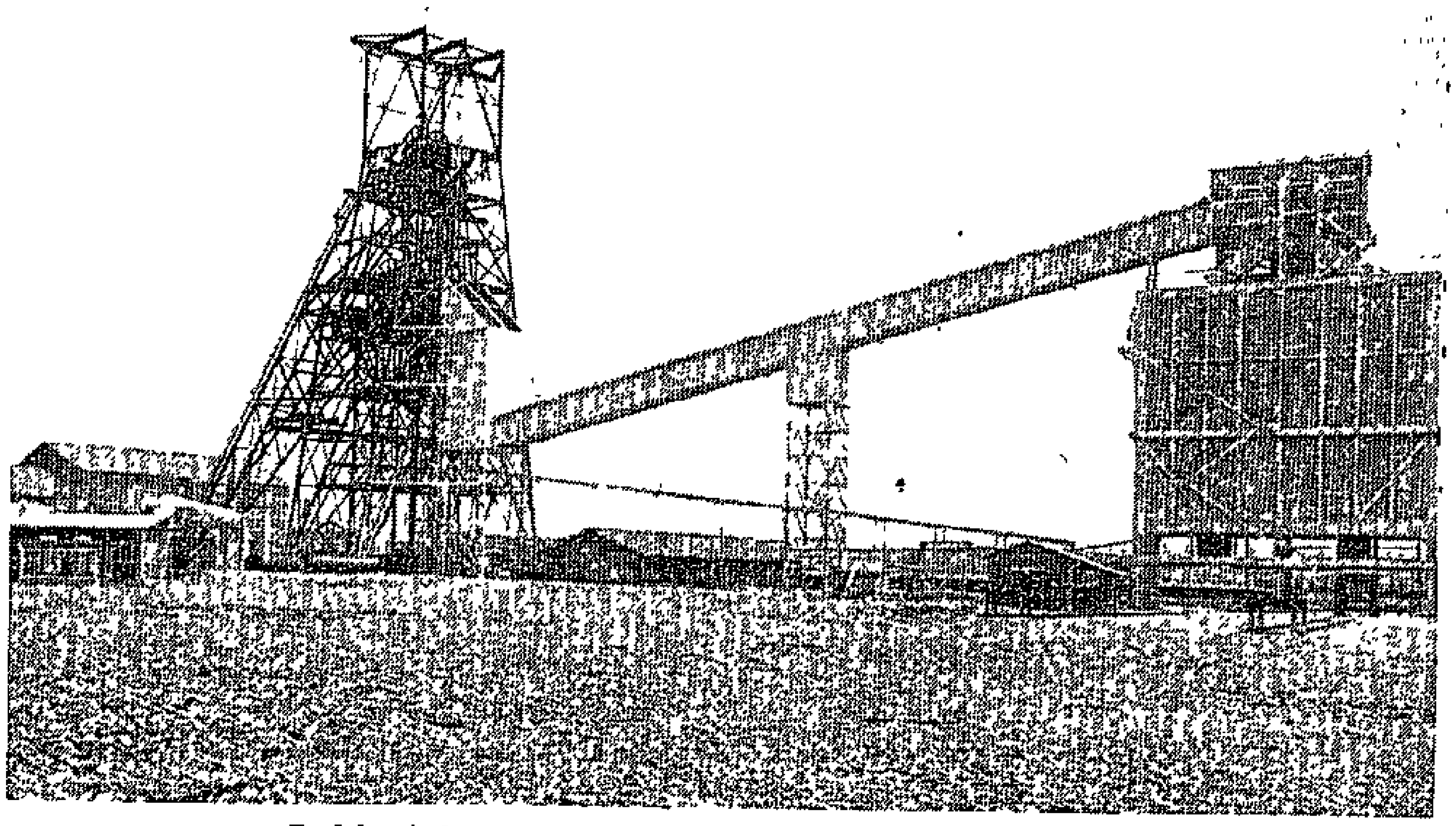
However, it would appear that the market leaders could start to come off in the next few weeks. Many have been pushed to unrealistically high prices. However, one market analyst feels that the market still has some way to go, and that in terms of fundamentals it is not overvalued. He regards the rates available on fixed interest investments as being low enough to make semi-blue chips, currently yielding around 6%, still attractive. And with good results expected from a host of companies this year, there could still be capital gains to be made.

One of the largest gains this week was recorded by Picprop, which picked up nearly 68% to 47c by Tuesday's close. This follows sweeping changes proposed for the whole Pickard organisation, and comes ahead of speculation about the future of the property sector, which looks to be coming right.

Amaprop, which went as high as 80c during the week, corrected to a more realistic 65c, having started the week on 63c. This still appears to be a long-shot, because the group has about R7,0m in arrear preference dividends to clear before ordinary shareholders can expect a piece of the action.

In the stores sector, Greatermans continued to advance on recovery prospects with the share closing at 770c on Wednesday, up 40c on the week. Investors appear to be hoping that interim results due soon will show an earnings potential of around 90c.

Des Kilalea



Gold mining . . . still providing most of the action

foreign bourses

SIZE STAKES

	Sept 30	Dec 30	%
	Rm	—	increase
Old Mutual	108,0	126,1	16,8
NGF	89,5	103,4	15,5
Sage	67,8	78,4	15,6
UAL	47,1	53,6	13,8
Guardbank	41,2	49,9	21,1
Santam	37,3	45,2	21,1
Trust	31,6	37,5	18,7
Sats	28,1	32,1	14,2
Syfrets	14,5	16,5	13,8
Standard	13,6	16,9	24,3
Santamgro	5,6	6,5	16,1

quarter, moving 24,3% ahead to R16,9m (R13,6m). The year's capital appreciation per unit based on asset value of 62,3% was commendable, and the trust held nearly 12% liquid asset. During the quarter it sold its entire Sentrachem holding and now has over 11,0% of assets in cash available for investment.

As for the others, they too have had a good run. Standard has had a virtual 60% increase in its unit buying price, and its current yield of 3,8% makes it the third lowest in the group.

Best yielder is Standard Extra, which gives in excess of 9,0%, mainly because the fund holds ordinary and convertible debentures and quasi government stock as well as a limited number of prefs all with fixed returns. So its movement depends largely on the direction which long-term interest rates take, rather than on the more speculative movements of the stock market.

[illegible]

from *In Search of Enemies (How the CIA lost Angola)* **by John Stockwell, Former Chief CIA Angola Task Force, writing in 1978.**

Carl (pseudonym for officer in the CIA's Africa division) told us she (Shirley Temple Black, American ambassador to Ghana) had complained that no one seemed to be coordinating American overall policy in Africa, that no one was considering what the Angola programme might do to our relations with Ghana, or other countries like Nigeria and Tanzania. She pointed out that the Soviets' national sport is chess and their foreign policy reflects an effort at long-range planning of coordinated, integrated moves, although they often play the game badly and are given to serious blunders. The Chinese are notorious for planning their foreign policy carefully, with moves designed to reach fruition even years beyond the lifetimes of present leaders. By contrast, Ambassador Black observed, the United States is a poker player. It looks the world over, picks up whatever cards it is dealt and plays, raising the stakes as more cards are dealt until the hand is won or lost. Then, after a drag on the cigarette and another sip of whiskey, it looks around for the next hand to be played.

INTEREST RATES

(58) 11/1/80

Investors cautious

Not even the spiralling gold price appears enough to bring confidence back to institutional investors in fixed interest stocks. After the long slide of the past few years their caution over the future direction of long-term interest rates is clearly reflected in recent erratic swings in trading rates.

For example, the rate on long-dated RSA stocks jumped from around 9,18% in early December to touch 9,4% just before the new year — admittedly in very thin trading — before easing back to their current level of around 9,19%. Long-term Escoms hardened by about ten points to 9,6% over the same period before falling back to between 9,45% and 9,50%, depending on the coupons.

Senbank capital market manager Peter du Toit is one who thinks long-term rates are poised "to drift lower." He estimates that the institutions' cash flow for this year will amount to around R2,8 billion, while their prescribed requirements (on the present basis) should amount to only around R1,2 billion — made up of R600m for semi-gilts, R300m for gilts and R300m which he estimates the institutions will hold as cash. This would leave roughly R1,6 billion for discretionary investment, of which about R400m could be made available for private sector issues and mortgages and the rest for property and the stock market.

On this basis, Du Toit expects long-dated Escoms to fall soon to around 9,25%. Overall optimism is so high, says Du Toit, that even if there was a $200 reaction in the gold price later this year, it would not significantly change this outlook.

UAL capital market manager Nick Fredericksz is more cautious. He also warns that institutions like banks and building societies, which have been heavy buyers of fixed interest securities during the past two years, could this year begin offloading large volumes of this paper as loan demand revives. Fredericksz also draws attention to the PDC, whose cash flow for 1980, he estimates, will amount to some R1,5 billion, of which he expects around R1,25 billion to flow into gilts and R250m into semi-gilts.

On balance, he thinks that demand should closely match supply and that interest rates will tend to fluctuate very little from their present levels in the next few months.

Discount House's Ian Huddy agrees with Du Toit that long-term rates must ease, although he sees 9% on gilts as the "psychological barrier" to investors — particularly if the inflation rate appears likely to maintain its current 13% level — although the October/November annualised level of about 4% might indicate otherwise.

However, Huddy does not anticipate sharp falls in either long or short-term rates. "The *Reserve Bank*," he asserts, "seems to have the situation well under control," and will enter the market to neutralise excess liquidity.

Liberty Life investment manager Roy McAlpine, confirms the institutions' reluctance to commit large volumes of liquid funds into long term investments, and his view reflects the general uncertainty in the market. He points out that a number of the larger institutions are using significant portions of current cash flows to meet forward commitments entered into over the last 12 months at rates substantially higher than those currently prevailing.

Adds McAlpine, "With inflation as high as it is, making for current negative yields of between 4% and 6% on fixed-interest securities, investors would have to be pretty optimistic to go in heavily for long-term paper".

He agrees that sound economic growth should mean substantially higher profits and dividends for industrial companies, thereby increasing the attraction of equities. But he cautions that with the *RDM* index now having crossed the 450 level — nearly treble what it was when the bull market began — institutions will become "much more selective in their equity buying."

Also encouraging hesitancy is the likelihood that institutions' prescribed investment requirements will be reduced this year.

Another important imponderable is the March budget. For the extent of its fiscal stimulus could have a material influence on the speed of recovery in business activity.

Some economists believe, moreover, that it would be an advantage if market

OBSERVERS

The eleven-nation Commonwealth observer team, which is in Rhodesia to keep an eye on all stages of the elections, is to be headed by a senior Indian diplomat, Rajeshwar Dayal. Dayal was personal representative in the Congo of the late UN Secretary-General Hammarskjold in 1960-61.

The other countries in the team are Australia, Bangladesh, Barbados, Canada, Ghana, Jamaica, Nigeria, Papua-New Guinea, Sierra Leone and Sri Lanka. Each country's delegation will consist of a senior representative and two assistants. According to the Commonwealth secretariat in London, these teams will probably be joined by back-up staff 10 days before polling, presently scheduled for end-February.

The names of the individuals in the team have not yet been released, but the senior Canadian representative will be Gordon Fairweather who heads Canada's Human Rights Commission. The Nigerian team will be led by Sam Ikoku, a well-known left-wing politician, who once served on the staff of Nkrumah's Ideological Institute in Accra. Announcing Ikoku's appointment last week, Nigerian President Shagari added that he would personally keep "a close watch" on developments in Rhodesia.

For over a century the management of the affairs of the country was carried out under different leaders. The Empire of the first period or dynasty was founded about A.D. 900. The rulers or kings were commonly known as Ogiso before the arrival of Odudua and his party at Ife in Yorubaland, about the twelfth century of the Christian era.

Ultimately, one of the prominent leaders, Igodo, was made Ogiso or king. Igodo, the first Ogiso, wielded much influence and gained popularity as a good ruler. He died after a long reign and was succeeded by Ere, his eldest son.

Note. Extracts 1 - 3 on Benin are taken from A Short History of Benin by J.V. Egharevba, first published in 1934 and based on a collection of oral traditions.

2. Brass-casting.

Oba Oguola wished to introduce brass-casting into Benin so as to produce works of art similar to those sent him from Ife. He therefore sent to the Oni of Ife for a brass-smith and Iguegha was sent to him. Iguegha was very clever and left many designs to his successors, and was in consequence deified, and is worshipped to this day by brass-smiths. The practice of making brass-castings for the preservation of the records of events was originated during the reign of Oguola. He lived to a very old age.

Note. Basil Davidson, who quotes this extract in The African Past, comments: "The bronzes of Benin are more properly called brasses. While Oba Oguola's traditional date is about A.D. 1280 (for the beginning of his reign), there is some reason to believe that the introduction of brass-cutting to Benin came from Ife at a later date than Egharevba's account suggests, and perhaps not before about 1400".

3. A Great Ruler.

"After the murder of Uwaifiokun, Ogun was crowned the Oba of Benir title Ewuare (Oworuare) meaning 'It is cool' or 'the trouble has [His reign traditionally began in about A.D. 1440.] Prior to his he caused a great conflagration in the city which lasted two days as a revenge for his banishment.

Ewuare was a great magician, physician, traveller and warrior. powerful, courageous and sagacious. He fought against and capt and villages in Ekiti, Ikare, Kukuruku, Eka and the Ibo country of the river Niger. He took their petty rulers captive and cau people to pay tribute to him.

He made good roads in Benin City and especially the streets know and Utantan. In fact the town rose to importance and gained tl during his reign...

Ewuare was the first Oba
Ruy de Sigueira visited

4. Relations with Ife.

"Among the many things wl
the King of Beny, and al
been told by the inhabi
at twenty moons' journe
journeys they made, wou
there lived the most pov
the pagan chiefs of the
tion as is the Supreme I
custom, the King of Beny
with rich gifts to annou
succeeded to the Kingdom

Big gold trade is between US and Continent

By PAUL DOLD
Financial Editor

A soaring financial rand and a bout of profit-taking turned gold shares easier yesterday in spite of the leap in the bullion price.

The financial rand touched 110 at one stage from the previous 101 and effectively braked the gold sector's advance. While this high financial rand, which narrows the discount on the official commercial dollar rate and cuts the profit margin for foreign investors, is a drag on share prices, it will of course provide a comfortable cushion on the downside.

While the high financial rand patently suggests down[illegible] for gold shares there are of course big operators in the FR market itself who have made a 15 per cent profit on the FR alone in the past few days.

Both the FR and the commercial rand are clearly undervalued - particularly the ordinary rand. The commercial rand is continuing to strengthen and closed at [illegible]

Two big banks agree to equal pay for women

58

STAR 18/1/79

By Sieg Hannig
Labour Reporter

Sex discrimination in the pay of bank tellers and check clerks is on its way out after the latest pay negotiations between the three banking trade unions and two leading South African banks.

From the end of this month, Barclays and Standard Bank tellers and check clerks will be paid according to a common salary scale for men and women.

Mr Andre Malherbe, general secretary of the (white) Society of Bank Officials, the (coloured and Indian) National Union of Bank Employees and the (black) Bank Employees' Union, said racial equality had existed in these banks for many years.

"But there was still sex discrimination in the salaries of intermediate and junior grades," Mr Malherbe said.

"Now the intermediate grade salaries are on a common scale for both sexes."

INCREASES

This meant that women in grades B and A would get a slightly higher annual increase than their male colleagues this month.

They would still be one notch behind in actual pay, but this difference would disappear in time.

People newly promoted to these grades would begin on equal pay, Mr Malherbe said.

Whom do they serve?

The price of houses is going up in leaps and bounds and estate agents in their wisdom see no early end to it. They may be right although housing bonds granted have leaped over the past eight months by more than 30% above those in the same period of last year, there is still plenty of money in the building societies' kitty.

To their credit, the societies have been trying energetically to lend more. And their figures show that they have had some success. But, stuffed with cash as they are, would they not be more successful if they slashed the mortgage rate?

Certainly, if they cannot do so under present economic conditions, while liquidity in the financial sector mounts, the question might well be asked whether they will ever be able to do so?

There is no doubt that they can afford it. Although the societies are mutually owned, if their surpluses or profits are calculated along the lines adopted by some companies, their performance would be the envy of many an entrepreneur.

In the accompanying table, the *FM* has calculated the profits made by this country's eleven societies in the year to last March on the basis of the appreciation of their investments but after tax and including retained profits and transfers to reserves.

We are aware this method of accounting has its critics and that building society investments are unlikely to be realised before maturity. But it does have its supporters, and it does illustrate the following points:

- That the societies have a lending capability far beyond their soaring deposits.
- That for at least two years both deposit and mortgage rates have been too high in relation to demand and that this is having a very pronounced inflationary reaction.
- That they are acting neither in the best interests of the house owner who is repaying a mortgage nor, as they are steering resources away from industry with artificially high deposit rates, in the best interests of economic growth.

On the basis already mentioned, the *FM* calculates that the 11 building societies made a profit in the year to March 1979 of R108 390 000 — which amounts collectively to more than 15% of total interest earned on advances.

Add to that the capital repayment of bonds over the past nine months of R2 271,2m, the inflow of the last three months of which has been extrapolated. Add also a savings inflow over the same period, which is already equal to the inflow for the whole of last year, of R1 123,5m, again with the figures for the last three months extrapolated. The societies' lending capability can then be seen to be approaching R3 500m.

From that must be deducted the R1 365,6m that the societies claim to have lent to house buyers in the eight months to the end of November, which still leaves a lending capability of about R1 400m in round figures.

If, however, the gross amount lent by the societies in the October to December quarter continued to rise at 69% against comparable figures in the previous year, as it did in the previous two quarters, they still have more than R1 100m in the kitty to lend.

In the face of such a capability and of the profits the societies are clearly going to make in the current year, it is difficult to understand how the Perm's Mr Pat

WHOSE PROFITS?

R 000	United	SA Perm	Allied	Natal	Saambou	S Trident	Trust	E Province	Standard	Provincial	Grahamstown
Investments											
1978 book value	159 655	135 180	70 712	53 061	33 878	17 402	4 760	11 588	11 373	2 208	2 891
Market value	145 107	128 658	67 312	54 812	31 973	16 299	5 029	11 268	10 924	2 105	2 635
Deficit/surplus (a)	−14 483	6 522	−3 400	1 751	−1 895	−1 103	269	318	449	103	256
1979 book value	317 613	252 191	110 047	74 234	59 691	21 355	5 060	13 224	28 388	2 012	2 735
Market value	324 383	264 327	118 683	82 201	61 132	22 543	6 272	14 080	30 408	2 233	2 759
Surplus (b)	6 770	12 136	8 641	8 067	1 419	1 193	1 212	356	2 020	221	24
Unrealised investment appreciation (a+b or a−b)	21 258	18 658	12 041	6 316	3 333	2 299	943	1 174	2 469	324	280
Retained profit 1979	4 316	2 349	2 594	536	3 850	149	48	75	250	216	531
Transferable reserves	12 000	5 000	3 026	256	1 611	200	500	101	3	150	120
Taxation	7 187	5 260	2 916	1 525			383	102		131	129
Investment appreciation	21 258	18 658	12 041	6 316	3 333	2 299	943	1 174	2 469	324	280
Retained (loss) profit 1978	5 557	2 832	2 484	563	2 900	131	13	35	270	177	448
Effective profit before tax	39 204	28 425	18 112	8 070	5 896	2 516	1 859	1 417	1 458	821	812
Total interest on advances	211 086	159 013	131 867	72 446	57 285	26 912	13 219	12 270	11 457	4 593	3 688
% effective profit to interest	18,6	17,9	13,7	11,1	10,3	9,3	14,1	11,5	12,7	17,9	16,6

Source: Building societies' annual financial statements

Watson can justify to borrowers, in whose interests he is also supposed to act, the following quote from Pyramid, the society's house magazine.

"Past growth had been achieved, said Pat Watson, through 'a marked increase in efficiency and productivity and a more professional approach towards the control of expenditure, the investment of funds, *profitability* (*FM's* emphasis) and the conduct of our business generally'."

In effect, what he is saying is that his society will look after depositors but aim at growing like Topsy on the back of borrowers. It is extraordinary management arrogance.

It is important to remember, too, that a very large proportion of the societies' present lending capability arises from their being able to attract savings by offering tax-free investments.

Make no mistake, this facility amounts to the erosion of the tax base in much the same way as does the vociferously criticised "perk" of a subsidised housing loan from an employer (a perk, incidently, enjoyed by most building society managers).

In the light of the general antipathy towards those who enjoy perks, how on earth can this subsidy, which the general body of taxpayers gives to building society depositors, be equitably defended, especially as under present conditions there is not even an indirect benefit in it for borrowers.

It is perfectly clear to anyone who cares to look, that if there are any signs of demand inflationary pressures in the economy at present, they are in the housing market and they are being fuelled by the large amounts of cash available from building societies for house purchases.

Partly this is because of the rising liquidity in the financial system being caused by the country's record trade surplus, which is being swelled by the high gold price. But more particularly it is being caused by the advantages that societies have over other financial institutions when it comes to attracting public savings — one advantage being the tax-free investments.

This inflation, and indeed the general arrogance of building society managers, is overflowing into other areas, such as insurance. Take the circular distributed last week from the United Building Society which says: "It has been decided that sums insured are to be increased by 15% as policies fall due for renewal during 1980."

NINE MONTHS ON

Bond capital repayments

		†
April to June	R239,5m	47%
July to Sept	R282,2m	44%
Estimated Oct to Dec	R290,0m*	40%
	R811,7m	

Gross amount lent

		†
April to June	R638,8m	68%
July to Sept	R797,9m	68%
Estimated Oct to Dec	R835,0m*	68%
	R2 271,1m	

Actual amount lent over eight months R1 765,6m (a R220,7m average monthly increase)

Total savings inflow

		†
April to June	R277,3m	126%
July to Sept	R446,2m	10%
Estimated Oct to Dec	R400,0m*	102%
	R1 123,5m	

Source: Association of Building Societies
*** FM estimates based on established trend**
† Increase on comparable figure for 1978

Maybe there is some merit in the view that, as building costs rise, house owners should insure their dwellings at replacement cost. But surely this should be no more than a recommendation to the home owners financed by the society, who are after all also among its members.

If homeowners agree, the obvious thing for them to do is shop for the best terms around a market in which the cost of insurance is falling daily. But the UBS circular makes no allowance for that.

You can bet your bottom dollar that the majority of the premiums for the increased sums assured will flow into the UBS's own captive insurance company. And that from a society the profits of which last year were the highest in the movement — 18,6% of interest earned on advances.

No one in his right mind would want building societies to move the mortgage rate up and down like a yo-yo. But as the *FM* has pointed out before, this rate was static for three years between 1975 and 1978 and since then has, in the face of a glut of deposits, declined by only 0,5%. Some yo-yo!

There are times in business when recalcitrance is as foolhardy as profligacy. For building societies that time is now. Their refusal to make the necessary price adjustments is fanning inflation in the housing market.

The *FM* believes it apposite, therefore, to remind building society managers of a quotation from Byron which the chairman of the Grahamstown Building Society mentioned in his last annual address. Like him, house owners are.

"Dreading that climax of all human ills
The inflammation of (our) monthly bills."

We do not like government interference in the pricing mechanism. But, as competition is so conspicuously lacking among societies, unless they themselves take appropriate financial action soon, the *FM* believes that government should take steps to see that they are exposed to normal market forces.

One way of doing this would be to withdraw tax free concessions on their investments

LEVERAGE LEASING 58

A better deal FM 25/1/80

There is an irony in the buoyant instalment credit market at the moment that is puzzling corporate treasurers· why are some banks, in particular Nedfin and Stannic, writing leveraged leases so energetically? This amounts almost to holding back on loans at a time when they are considerably underlent.

The essence of a leveraged lease is that a bank arranges the bulk of finance for a lessee from a third party — usually a financial institution. Its own stake in the deal is considerably smaller than in the case of a self-financed lease and usually runs at around 30%, but the taxation allowances which the bank is entitled to claim could constitute its principal reward, which may not always be the case to the same degree with a self-financed lease.

But why do the banks use outsiders' money, when their own coffers are overflowing? It is a question to which there would seem to be no clear-cut answer.

Normally, banks tend to favour leveraged leases when they are short of capital — as these leases are off-balance sheet — or when their loanable funds are limited and they have additional attractive investments in which they desire a stake.

But, when loanable funds are abundant and capital is no constraint, while investment opportunities are limited, simple logic suggests that banks should want to invest their own funds, rather than those of partners, in leases, to maximise their returns.

Stannic assistant GM (leasing) Neville Edwards points out that individual banks are normally reluctant to tie themselves into fixed interest rates for long periods or for large amounts On the other hand, the debt partner in a leveraged deal is specifically looking for a longer-term fixed interest rate and will accept its income from this source, making a leveraged lease economically viable.

By using leveraged leases, Edwards says, the bank can normally recover the bulk of its equity investment within the first few years, reducing its risk and enabling the client in the majority of cases to obtain a fixed-rate lease.

A drawback is, however, that while in a case such as this the incentive allowance provides tax relief in the first year of the lease, a future tax liability does remain. So the bank is not entirely disinterested in the transaction, even though it might appear in time to have got its equity out.

This future liability can be deferred by the bank's writing additional leases each year to, in effect, roll over the tax advantages from incentive allowances The tax liability arises then only when the bank considers swinging resources from leasing into some other form of lending.

Nedfin assistant GM Jonathan Kipps reckons the advantage of leveraged leasing is that it gives a proportionately higher yield on a smaller investment. He adds that high liquidity levels in the banking sector at present make it essential for banks to market their money more aggressively, and the lower charges often available on a leveraged lease are clearly more attractive to clients. This suggests that Nedfin is attempting to capture market share at the expense of overall group lending.

Barclays takes a different view. It is not very active in the leverage leasing market and tends to get involved only when cheap off-shore finance is available.

Barclays' corporate structure, reckons leasing division chief manager Mike Post, is different from the other banks. The leasing operation is merely a division of the parent commercial bank, and not a separate bank, as are Nedfin's and Stannic's leasing operations. Thus, he says, the average cost of funds to the leasing de-

Barclay's Post . . . different from other banks

partment can be much lower and a self-financed leasing deal may be costed out much more cheaply, especially as interest free deposits are included in this mix.

Nedbank responds that it, too, is able to get finance from different members of the group, and can easily lower the average cost of funds to its leasing operation. But it is difficult to see how the holding of additional liquid assets can be avoided if this should be done through group interbank loans.

Moreover, the cost of a bank lease which is funded by fixed deposits may also be lower than a leveraged lease. Post gives the example of a 15-year municipal lease that Barclays funded from fixed deposits costing effectively 12% a year when the debenture rate was above 13%.

If the bank had competed for institutional funds to fund a leveraged lease, the cost of the transaction would have been at least 1% higher.

Post makes an additional point. When a bank has large amounts to lend and limited opportunities to do so, he calculates earnings per share (eps) is enhanced by lending more of the bank's own resources at a lower rate than less at a relatively higher one.

This conclusion, he claims, is based on discounted cash flow and net present value calculation techniques.

Without doing these calculations oneself, it is difficult to gainsay his point, but it is consistent with a banking group rather than a pure leasing attitude to this market. Be that as it may, the differences in bank attitudes towards leasing, and the rate at which resources are being committed to this type of investment does suggest that lease portfolio evaluation could remain critical to forecasters of future bank profitability for a long time.

The long and the short of it, says GATX Lease Management's Justin Moore, is that leasing customers are increasingly dictating terms to banks that need borrowers. Banks are thus being forced by competition to quote on fixed rate long term leasing transactions and, in order to justify their investments to general management, the exposure to rate movements must be minimised. The leveraged lease is an obvious way of doing so.

Moore adds that corporate treasurers, aware that banks gear their earnings from leasing, are shopping around for lease packages increasingly without prejudicing traditional credit lines.

Competition has thus largely removed the mystique and superprofits from the leasing market as more practitioners apply more commonly accepted evaluation techniques and effectively pass on the tax benefits in the spirit in which they were contemplated by the fiscus.

So essentially it is now the financial managers in industry who are calling the shots far more than the "big muscle" financial institution that once were able, when finance was scarce, to dictate terms.

For those banks out to gain market share, writing leveraged leases must, therefore, be a necessity.

NAFCOC FM 25/1/80 (58)

A broader base

The National African Federated Chambers of Commerce (Nafcoc) unanimously agreed at a recent conference to include coloured and Indian businessmen as full members of the organisation.

Although nothing in Nafcoc's constitution prevents whites, coloureds and Indians from becoming members, businessmen of the latter two groups are not as well organised as Nafcoc. But this could be changing

There are already about 100 "white" companies — including Anglo American, SAB and some US, UK and German-based ones — which are associate Nafcoc members with nominal rights only. Sam Motsuenyane, Nafcoc president, says the chamber is encouraging white companies which do business with blacks to affiliate.

Full membership, and black-white business partnerships (*Current affairs* January 11) will only come once the laws preventing equal opportunities for blacks are removed, Motsuenyane tells the *FM*.

Coloured businessmen in Bosmont, Johannesburg, are now getting a local chamber off the ground and intend joining Nafcoc.

Indians have not yet applied, but this could be due to lack of communication. Motsuenyane has, however, had initial discussions on the matter with wealthy Durban businessman and Indian Council leader J N Reddy. At the moment, Indian business is only locally organised, with minimal representation in Assocom.

The question of coloured membership arose when the Western Cape Traders Association (mainly coloured and Malay) expressed interest as a region in joining Nafcoc. However, the prior existence of Nafcoc's Western Cape Chamber Region,

easing, are shopping around for lease ackages, increasingly without prejudic- ıg traditional credit lines.

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in my opinion

nce strata are exclusively black. We nust therefore make certain, through ur research and by listening to our wn black people, that we are commu- icating effectively.

At present, traditional beliefs and

(252) (58) (245)

RAND LONDON

Expensive rights?

FM 25/1/80

Ahead of suspension in December, Rand London's share price shot ahead to 212c. And, since relisting and the announcement of the proposed rights issue, the share has advanced to 245c. But, on the information thus far vouchsafed shareholders, does the share price fairly reflect the company's worth? And would shareholders have been better served by a straightforward rights issue rather than the one now proposed with partial dismemberment of their company — or even no rights issue at all?

I can see little logic in offering shareholders 22% of the ords and 38% of the prefs in subsidiary Rand London Coal unless, that is, earnings prospects from the group's non-coal operations are too unattractive to permit raising further cash. As it is, I do not feel the proposed rights issue is among the most attractive to have hit the market in the past few years.

Based on Rand London Coal's earnings estimates, hiving off part of the coal interests means a 4c earnings drop to 41c for the Rand London ordinary shares this year and something possibly exceeding 13c in the year to end-June 1981.

So, for every 100 shares currently held, in theory a shareholder will be 1 300c worse off as far as earnings are concerned. Adding together next year's expected earnings per share of Rand London Coal's ordinary shares and its participating pref dividends, a shareholder who accepts the rights offer will gain 1 543c earnings. It means a net attributable earnings improvement of some 240c for present holders of 100 Rand London shares.

Of course, that does not include any benefits from investment of the R10m to be raised by the rights issue. To all intents and purposes, shareholders are being offered 25% of the group's coal interests for R10m, which means the coal interests are effectively worth R40m. So, if half the funds raised are kept in the coal operations, it is probably reasonable to assume an eventual five fortieths (12,5%) earnings increase from coal interests and a similar proportion for the parent. Roughly, that points to additional earnings for every 100 shares currently held of around 375c.

So, if the rights are taken up, a holder of 100 Rand London shares could see an effective earnings improvement of about 615c. Which is all very well, but taking up the package of 23 RL Coal ords and 46 part prefs offered for every 100 Rand London ords presently held will cost R80,50. And that means buying an investment with an effective prospective earnings yield of 7,6% in 1981 unless some fancy earnings are expected from the R10m. Until details of expected earnings from the R10m are announced, the rights issue is hardly an attractive proposition when compared with Amcoal's 11% historic earnings yield and Barlows' 14,5%.

The group probably has little option but to raise additonal funds by this method. A straight rights issue would, in all likelihood, be ill received by shareholders following the September 1978 R1,9m ordinary rights issue and last July's R3m pref placing

At least for the present, Rand London shows some of the symptoms of having outgrown itself. At its present stage of development, the group needs to show fast rising earnings But if they can only be made by the partial sale of the group's best asset, then perhaps the time has come for a period of consolidation.

As far as shareholders are concerned, there would be nothing wrong with a couple of years of solid profit ploughbacks if that were to build a sound base for advance into the mid-Eighties. But, with the present arrangement, which is underwritten by Senbank, ordinary shareholders have few options open to them. If they do not accept and stay aboard, their earnings are chopped and if they accept, their new investment could be expensive Perhaps the best advice to shareholders is to sell out before they are squeezed.

Jim Jones

DIAGONAL STREET (58)

Chaotic

FM 25/1/80

Predictions on stock markets are usually self-fulfilling. Last week many brokers referred to a "$200 downside in gold" and the potential wipe-out of much of the paper profit generated over the past month.

Whether their views took into account the tumble recorded by some of the light-weight golds is doubtful, since Loraine, for one, shed 24% in three days after a spectacular run up. The coming week, dealers appear to be looking for a more stable bullion price, but judging by Wednesday's performance, investors will be lucky to be able to correctly guess the first figure of bullion's price.

This week the world's gold markets were chaotic. Bullion opened at $760. But on Wednesday, for example, gold opened in London at $595 only to be fixed at $650 by 10h30. By lunch time, major bullion dealers in London had effectively halted gold dealing in an effort to catch up with book work after the hectic start to the day.

In Zurich and London, bullion plunged in hectic dealing, falling from an overnight $733 to as low as $585 as heavy liquidation of speculative holdings took place. However, bullion, said some dealers, was at that stage approaching an oversold situation. Banks everywhere were flooded with sell orders from smaller, less professional investors alerted to the price break by extensive television and newspaper coverage.

At 15h30, however, the opening gambit in London's afternoon fix put the metal at $704. Eight minutes later it was $725 as the fix continued. Eventually, the afternoon fix closed at $695, after touching $745 in the run up to a fix that took an extraordinary 71 minutes to complete.

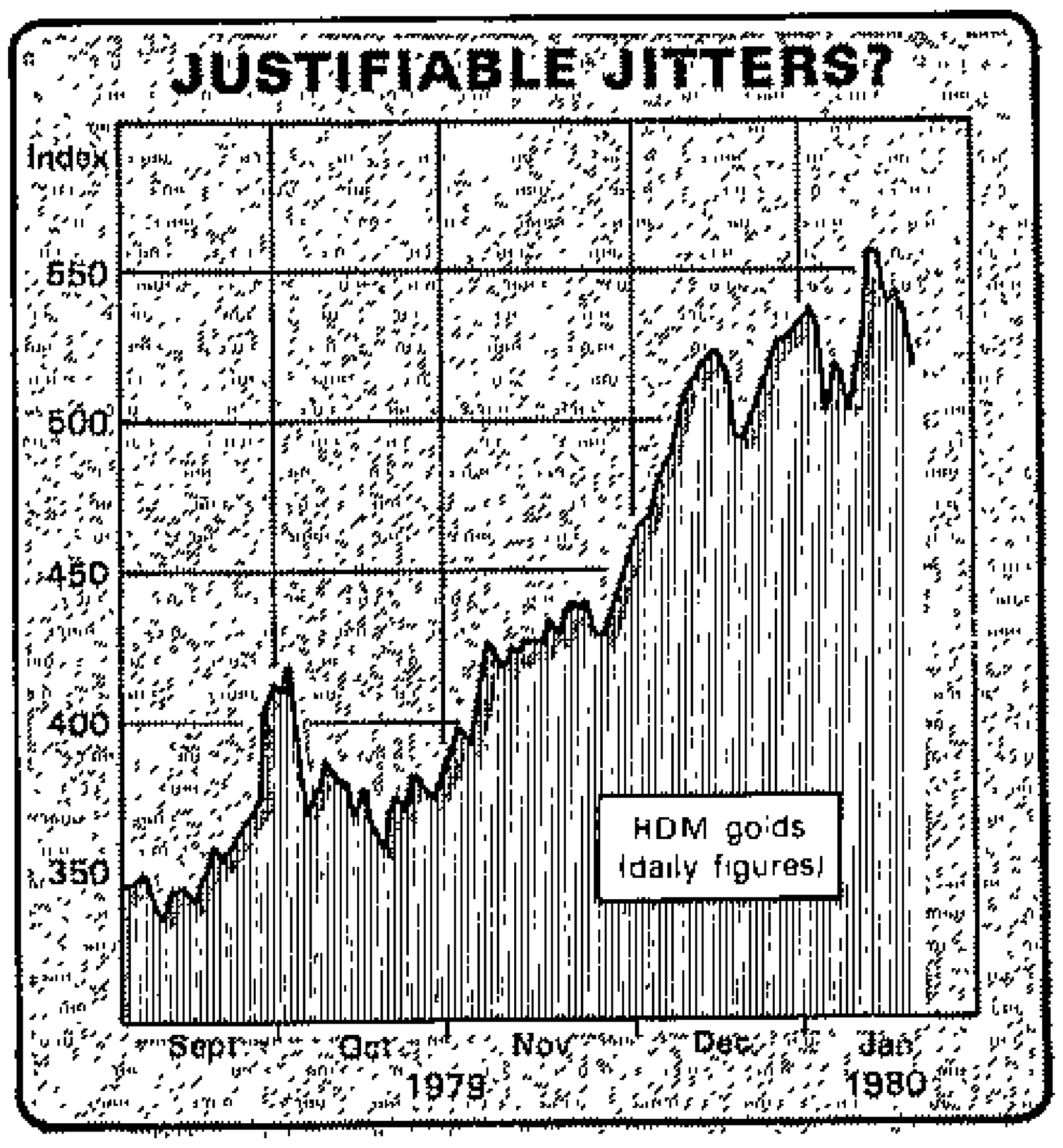
By contrast, US gold futures opened $50 down, the limit allowed, following overseas gyrations. The limit contract for delivery this month opened about $20 lower — but in later trading gains of $20 were noted on the International Monetary Market and $11 on Comex.

Not suprisingly, there are some stirrings towards creating a more stable market, not that any of them will work effectively. The US Comptroller is studying the role of banks in the gold market to see whether any "restraining action" is needed. Nearer to home, the Reserve Bank announced that it would take krugerrands from residents at a price based on the average of the two London fixings preceding the sale in a effort to create a semblance of stability.

The release of most of the gold quarterly reports probably underpinned most gold shares as they were proof of what the mines could achieve with an average price of marginally over $400. If bullion should remain in a $500 region for the first quarter, there should be some handsome dividends.

The largest single factor other than bullion in this week's gold share performance was the financial rand. Last week the rand closed at a record US 110c on Wednesday after trading as high as US 113c. This high level inhibited foreign interest in gold shares, and encouraged holding FR. But as expected, the FR came off this week to close at US 96c for a 21,3% discount With the FR falling the drop in gold shares halted.

Wednesday started as Tuesday had done, wiping nearly 2% off the JSE Actuaries index by lunch time. But a falling FR and better bullion lifted prices off the bottom to leave the day less than 1% off Tuesday's close. Nevertheless the index lost 5,1% on the week, opening at 510 and closing at 484,4.



Many brokers still think the bull market still has some steam left. This shake-out, they argue, will re-interest the small man, and share prices could run. Chartist Clive Roffey sticks by his opinion that the market will peak in the very near future, but he is confident golds, particularly the old marginals will advance sharply. Be that as it may, it now appears a gambler's market and timing will be critical. In the past five days weak holders of gold shares could have seen the value of some of their investments drop nearly 20% in one day.

The only real casualties on the metal board were platinums which moved in sympathy with the free market price. Announcement of possibly significant new mining operations failed to support Rustenburg. Analysts were quick to point out that though the new deposits could be mined cheaply by open cast methods, the platinum market is probably too small to absorb significant production increases except over the longer term and, in any event, without having a depressing effect on the metal price. Consumer resistance is growing strongly in Japan where the important jewellery market prices goods at the free market price. If anything is calculated they have a sharp downward pressure on platinum prices, it is a major setback in Japanese jewellery sales.

Also on the platinum board, the suspension of Lydenburg was a talking point. The most popular view is that the company's OFS mineral rights near President Steyn were to be turned to account. However some analysts reckon if this was the case Sentrust would have been suspended too, because it has rights over the same farms All General Mining would say was that nothing spectacular was planned.

Copper shares advanced on the week in line with the LME copper price which rose over £200 to nearly £1 300 a ton. The medium-term outlook for the metal appears to be prices maintained around current levels, particularly in view of the production and transport disruption at world mines, like the current stike on at Chile's second largest mine

The industrial market was dominated by special situations. Shares suspended during the week included Skye, Katz & Lourie, Theron and Lucem. Other than market rumour, there have been no firm details on any of these suspensions. Gossip on the floor has it that Peter Gain is behind the purchase from Anglovaal of Satmar.

Des Kilalea

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	**465,4**	**475,9**	**441,0**	**294,8**
% change on	—	—2,2	5,5	57,9
P/E ratio	6,5	6,6	6,1	5,2
Div yield	5,6	5,5	6,0	7,4
UK FT Ind	**449,8**	**441,7**	**421,3**	**481,5**
% change on	—	1 8	6 8	—6,6
P/E ratio	6,8	6,7	6,4	8,2
Div yield	7,3	7,4	7 7	6,0
US Dow Jones	**866,2**	**868,6**	**838,7**	**835,6**
% change on	—	—0 3	3 3	3,7
P/E ratio★	8,0	8,0	7,7	9,0
Div yield★	5 1	5 1	5,2	4,9
Gold price (in US $ on London)	**690,0**	**687,5**	**479,5**	**221,4**
% change on	—	0,4	43,9	211,7
Krugerrand (Rand)				
Public selling price	**704,3**	**643,3**	**451,5**	**219,8**
% change on	—	9,5	56,0	220,4

★Standard & Poor index

Public buying price is 10% below, subject to negotiation

results and dividends

	Pre-tax profits Rm 1978	1979	Percentage change	Earned cents per share 1978	Earned 1979	Paid 1978	Paid 1979	Sector	Dividend Amount cents	Register by	Payable about
Apex .... Q	3,6	3,1	—14	153	142	—	—	Coal	—	—	—
Blue Circle .... P	12,6	16,2	+29	36	46	17,5	21	Industrial Hold	†14,50	1 2.80	22 2.80
Cons Murchison .... Q	0,5	3,1	—	11	75	—	—	Other Mines	—	—	—
Coronation Synd ....Q	3,0	4,2	+41	36	48	—	—	Mining Hold	—	—	—
Duiker .... Q	3,3	2,5	—25	17	12	—	—	Mining Hold	—	—	—
E. Daggafontein.. .... D	—	—	—	—	—	—	—	Curt Operations	†10,00	1,2 80	6.3.80
Frasers .... D	—	—	—	—	—	—	—	Property	—	—	—
GF Property I	0,7	1,3	+93	5	9	—	—	Stores	†12,00	25 1.80	3.3.80
Rooiberg .... Q	2,7	3,1	+12	101	127	—	—	Tin	—	—	—
SA Land .. ..D	—	—	—	—	—	—	—	Rand and Others	†20,00	1,2 80	6 3.80
Southvaal .... .P	28,8	67,7	—	—	—	57	140	Klerksdorp	‡140,00	1 2.80	6.3.80
Union Tin .... Q	0,4	0,8	+91	13	26	—	—	Tin	—	—	—
Vaal Reefs .. .. D	—	—	—	—	—	—	—	Klerksdorp	†320,00	1.2.80	6.3.80
Welgedacht .... .Q	0,9	1,4	+48	11	9	—	—	Coal	—	—	—
Western Deep ... . D	—	—	—	—	—	—	—	West Wits	†225,00	1 2.80	6.3.80
Witbank .. ..Q	11,7	12,1	+3	17	28	—	—	Coal	—	—	—
Zaaiplaats .. ..D	—	—	—	—	—	—	—	Tin	★20,00	1,2 80	7.3.80

Q = Quarter Ended 31 12 79. Previous Quarter 30.9 79. P = Preliminary ‡ = Annual † = Final D = Dividend I = Interim. ★

issues

COMPANY AND TERMS:	Last day to register	NIL PAID LETTERS: Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	FULLY PAID LETTERS OF ALLOTMENT: Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	PRICES OF LETTERS: Take up price	Price Jan 14 cents	Price Jan 21
FAR WEST RAND EXTENSIONS — Rights issue 1 new share for every 2 shares held at 55c							Preliminary announcement						55c		
FEDERALE MYNBOU BPK — Rights issue 50 new cumulative participating convertible pref shares of 100 cents for every 100 ord shares held at 1 100c. Subject to General Mining proceeding with its rights issue							Preliminary announcement						1 100c		
GENERAL MINING & FINANCE CORP LTD — Rights issue 30 General Mining ord shares of 40 cents for every 100 Union Corp shares held at 1 500c Upon the implementation of the takeover of Union Corp							Preliminary announcement						1 500c		
RAND LONDON — Rights issue Details to be advised 8 2 80							Preliminary announcement								

foreign bourses

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
Amsterdam				
KLM	122	70	67	4,5
Philips	25	21	20	9,0
Robeco	167	168	168	7,9
Royal Dutch	128	145	144	7,5
Unilever	125	117	114	7,7
Industrial index	85	68	66	—

Drifted lower in dull trading.

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
Frankfurt				
BASF	134	137	133	7,1
Daimler . .	319	239	227	6,2
Deutsche Bank	297	251	247	5,7
Siemens	274	258	257	4,8
Thyssen-Hütte	112	82	79	7,9
Commerzbank index	821	703	688	—

Turned down in slack markets.

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
Paris				
Imetal	62	75	82	7,0
Paribas	221	222	217	4,7
Pechiney	77	99	98	7,7
Saint Gobain .	151	122	121	11,3
Usinor	12	15	15	—
Paris Bourse index	79	96	96	—

Nervously irregular in light business

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
Sydney				
Broken Hill	9,78	13,40	13,40	2,5
CRA	3,65	5,82	5,60	1,7
Myer Emporium ..	1,85	1,60	1,63	6,4
Pancontinental	10,50	7,10	9,20	—
Western Mining ..	1,96	4,20	4,62	1,5
All Ordinary index.	569	809	838	—

Advance continued in hectic dealings

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
London				
BP	900	334	350	5,6
Barclays	383	412	436	5,4
ICI . ..	358	372	378	7,0
GKN	250	258	269	9,2
GEC	322	350	355	2,5
Johnson Matthey	475	245	283	4,3
Marks & Spen	85	89	91	4,1
Reed	156	181	193	5,9
Rio Tinto	262	360	410	4,0
Rothmans	60	49	52	6,7
Stancha . .	438	488	500	7,1
Unilever .	526	478	474	6,7
War Loan 3½%	29	32	34	10,0
FT index . .	468	442	450	—

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
Tokyo				
Fuji	707	540	538	1,4
Mitsub	134	186	187	3,2
Nissan	678	721	721	1,0
Sony . .	1 720	1 740	1 730	1,4
Toyota	875	820	811	1,2
New Stock Exchange index	459	464	464	—

Fluctuated narrowly in moderate turnover

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
Zurich				
Boveri	1 690	1 810	1 785	2,8
Ciba Geigy ...	1 185	1 255	1 235	1,8
Credit Suisse ...	2 290	2 330	2 355	3,4
Swissair Bearer	810	792	780	4,5
Swiss Bank	371	412	418	2,4
Union Bank . ..	3 170	3 565	3 680	2 7
Swiss Bank Corp index . .	303	310	307	—

Easier inclined but quite active

	Jan 22 1979	Jan 14 1980	Jan 21 1980	Yield %
New York				
Amax	49	52	49	4,9
Amer T&T	62	52	53	9,4
ASA .	25	50	50	4,8
Bank of America	25	26	25	5,3
Chase	32	40	40	7,0
Engelhard . .	31	32	32	3,1
Exxon	49	53	56	7,9
Firestone ..	13	9	9	6,7
Ford	42	34	34	11,8
Gen Electric	49	54	55	5,1
Gen Foods ..	35	34	32	6,3
Gen Motors	58	53	54	9,8
Homestake .	33	60	60	2,7
IBM	312	67	69	5,0
Inter Nickel ...	18	28	28	1,8
ITT	30	27	27	8,9
John Deere .	36	35	37	4,9
Newmont .	24	45	50	2,6
Phelps Dodge .	25	36	40	3,0
US Steel	25	21	20	8,0
D J Index ..	847	869	866	—

Indices	Jan 23 1979	Jan 15 1980	Jan 22 1980
UK Industrials (FT) (1935 = 100) .. .	467,6	441,7	449,8
Dividend Yield	6,2	7,4	7,3
Earnings Yield . . .	16,3	18,4	18,1
UK Government Securities (FT) (1962 = 100) .	67,0	68,1	68,8
UK Actuaries 672 Shares (FT) (10 4 1962 = 100)	221,7	239,9	245,6
US Ind (Std & Poor) (1941-43 = 100)	111,4	124,9	125,6
Dividend Yield	4,9	5,1	5,1
PE Ratio ...	9,1	8,0	8,0

Trust Bank making headway (58) Star 31/1/80

By Colin Campbell

Slowly, but very surely, Trust Bank is making headway. Even though its property interests continue to act as a drag, it today reports a strong advance in disclosed profits.

For the six months ended December, disclosed profits are R3,41m compared with a mere R59 500 in the comparable period of the previous year, and R336 000 for the 12 months ended last June. This translates into net earnings of 7,022c a share, against 0,127c in the comparable six months, and 0,714c for the year to last June.

The bank, recognising the wisdom of strengthening its reserves, is transferring R3,4m of disclosed profit to disclosed reserves, which leaves distributable earnings at 0,64c a share. There is, obviously, no dividend — nor is there likely to be one for "the forseeable future."

The reasons for the sharp improvement are: greater benefits of the rationalisation moves now that Trust is under the Bankorp umbrella; growing confidence by the public in the bank; and the lower cost of money because of the high liquidity which has ruled in the market place.

"We are getting our old clients back," Mr D Swanepoel, a senior general manager, said yesterday. He adds that given the encouraging outlook for the economy, and the steady progress being made by the bank, that the outlook is encouraging.

The official statement merely says that results of the six months under review will "probably" be maintained for the remainder of the year but this is probably bankers' conservatism. If Trust Bank merely repeats itself then year-end earnings are set for the 14c a share mark, which will give Trust the ability to transfer even more to reserves.

The bank's assets have moved up from R1,3m at end June to around the R1,43m mark.

The bank's interests in the motor cycle distribution and furniture trade have contributed satisfactorily to group profits, but it has been the traditional banking business which has done best.

BANK LENDING

Missing the boat

FM 1/2/80

Johannesburg's commercial paper market is enjoying an unprecedented boom. Corporate borrowers are increasingly looking for new sources of cheap short-term finance as alternatives to expensive overdraft facilities. And the commercial banks, underlent and overburdened with liquid assets, are partially losing out.

Company treasurers are looking for more flexibility and, of course, for lower costs, in their financing. Hence, they are unwilling to take up short-term finance at the overdraft rates prescribed by the Reserve Bank.

Instead, they are discounting bills such as bankers' acceptances, other trade bills and promissory notes Even BAs — at around 6,5% discount — are facing increasing pressure from other forms of paper.

Some financiers claim the commercial banks have not kept up with other finance houses and are unable to offer their larger clients, in particular, the sort of cheap short-term finance which is available in the money market.

Barclays' financial conroller Stan McDonald responds that commercial banks are already at the lower limits of the margin above Bank Rate at which they have agreed to hold prime overdraft rate He adds that there is, in fact, no collusion between the commercial banks on the fixing of prime rate, despite the Register of Co-operation cartel agreement on minimum charges.

With the prime overdraft rate at an unrealistic 9,5% in the face of easier money market rates, there has been hardly any growth in corporate overdraft borrowing for more than four years.

According to the last Reserve Bank *Quarterly Bulletin*, commercial bank lending to companies rose merely from R2,28 billion at the end of 1976 to R2,29 billion at the end of September last year, having touched R2,41 billion in the third quarter of 1978.

The irony is that, despite the shift in the methods of financing, the banks' own profits have so far remained healthy because of the wide margin between high overdraft rates and the low cost of their own money, which compensates for the low volume of lending

Financiers reckon that, on the basis of deposit figures in the *Quarterly Bulletin*, the average cost of funds to the commercial banks is between 4,5% and 5%. In some cases it may even be below 4%, depending on the portion of "free" deposits in the banks' books These "free" deposits consist mainly of current account balances on which no interest is paid, although some commercial bankers claim that the cost of administering them does prejudice their margins.

Of course, although prime overdraft runs at 9,5%, many small borrowers, both individuals and small companies, are being charged up to 12% for overdraft money The usury limit is 14%.

It seems, therefore, that it is largely because of such borrowers — in fact, with less financial clout that the commercial banks are able to maintain their pre-tax return on equity at a healthy 25% to 33%.

Standard Bank GM Arthur Daymond claims that, in fact, more than 40% of borrowers are normally on prime rate.

The commercial paper market is traditionally centred on the merchant banks and discount houses. These institutions favour this type of lending as it provides commissions, discounts and fees for guarantees without the necessity of holding sizeable amounts of liquid assets or capital against these largely contingent liabilities.

However, the commercial banks are involved in this market themselves and, in any event, most own a merchant bank so they have an indirect interest as well.

As things stand in the money market the first major alternative to overdraft finance for large borrowers is bankers acceptances, which in turn, are meeting strong competition from the burgeoning promissory note market, where money is available at around 5,8% discount for prime borrowers. McDonald claims that this paper is linked to the Bank rate in the same way as overdraft, and the commercial banks will not discount promissory notes at more than 0,5% below prime. The general banks, on the other hand, can self at any level they wish.

An alternative is the grey market of inter-company loans where call money is available at around 5%.

Yet another variation of finance being offered at an all-in rate of less than 6% are foreign trade bills discounted by local banks, a market which has increased markedly, with Reserve Bank approval, as SA's foreign trade has risen

The development of a commercial paper market is seen by many bankers who dislike the inflexibilities of the overdraft system as a distinct advantage. In France, for instance, most bank lending takes this form

Be that as it may, the situation does illustrate the futility of the authorities' trying to administer prices, in this case, Bank rate, in the face of antipathetic market forces.

DIAGONAL STREET

Second wind

Fm 1/2/80 (53)

Operators on the JSE are now trying to finesse the last 20% or so. According to one fund manager, there are no positive signs that the bull market has come to an end. He believes that some chartists have made the mistake of acting too soon.

However, he does believe that a gold price setback to $500 will bring the gold and industrial boards down quite heavily. This should be followed by another strong upward movement due to the high yields to be had from golds at that level. Recent brokers' research shows that even if bullion declines to $350, higher grade stocks will still yield more than 10%.

Not all analysts are this confident, and the warning bells are ringing in some ears. The biggest warning sign is daily turnover, which has recently exceeded R20m. While the market firmed from Monday, turnover dropped to R14,5m, of which mining shares accounted for roughly 65%.

Besides the basic value still offered by gold shares, other positive factors are that marginals have been out-performing heavyweights. Further, interest rates could continue to slide further — and there is increasing confidence in SA abroad, which could also help.

A feature of golds is that local analysts are more cautious than overseas brokers who believe golds are trading at bargain levels. But it takes a bold investor to come in at current levels, particularly when shares such as East Dagga, which has an intrinsic value of probably no more than 20c, is trading at 145c.

A key to this market appears to be the interest being shown by foreign investors. Arbitrage could be in the region of some R10m daily, and on any rise in bullion, overseas investors give share prices another boost.

The narrowing financial rand discount has had the effect of dampening the rise in gold shares on the local market. However, Wednesday's rise from US105c to US109c was probably not so much due to this as to a problem between French Bank and the Reserve Bank. This related to the former's financing of arbitrage operations. Apparently, what happened was that French Bank was dealing in stocks without having the FRs to back the deals. In arbitrage operations, dealers are expected to at least maintain their transactions in keeping with their holdings.

In an official announcement, French Bank says it has already liaised with the Reserve Bank and that the matter is now settled. It is likely that the amount was large and that in covering French Bank, pushed the FR rate up.

There is a lot of confusion regarding the direction of bullion, and this was not alleviated by Wednesday afternoon's decline to $691 after a $703,50 London morning fix. The bulls were however, in the ascendancy ahead of the afternoon fix.

Some brokers are convinced that because of higher gold prices this year, a support operation has been mounted for Genmin. They have calculated that at gold prices in excess of $500, Union Corp's higher gearing to gold justifies a price of up to 120 Genmin for 100 Union Corp — a far cry from the current 80-for-100 offer.

And because of this, they feel that one broker in particular is supporting Genmin shares with significant backing. It might — as with many stories emanating from Diagonal Street — be nothing more than rumour. But at least one other broker feels he landed the "supporting" broker with a line of 35 000 Genmin at a good price.

While gold shares attracted most attention, metal boards had a good week. This performance follows on higher international metal prices whose strength is reflected in a record high for the Reuters Commodity Index of 1 794,5 on Tuesday.

Copper shares had a particularly good week, the RDM index gaining 5,4% as Palamin hit a new 1 600c high and Messina closed the week 10c higher at 385c.

These moves followed on a continued firmness in the LME copper price which ended the week above £1 200/t. Messina's chairman, Commander Grenfell, forecast higher copper prices this year. Reports from London attribute the firm copper price to resilience of the US economy after the first signs of recession, increased defence spending and possible strikes and disruptions in supplier countries.

Tin shares had a mixed week despite a reasonably stable metal price around £7 400. Rooiberg closed down 250c at 2 300c. Zaaiplaats has been attracting active speculative interest and the price firmed 25c to 400c. After losing the Rooiberg smelting contract, a sideways movement would have seemed more likely, but it appears there is some speculative interest in the share, particularly in view of the company's slimes operations.

When free market platinum dipped slightly, related shares appreciated by up to 40c. Lydenburg remains suspended amidst growing irritation in London as the share was actively traded ahead of a suspension which inhibits scrip delivery. Unofficially, the house says the deal for which Lydenburg was suspended is relatively immaterial. But that has, if anything, inflamed London brokers.

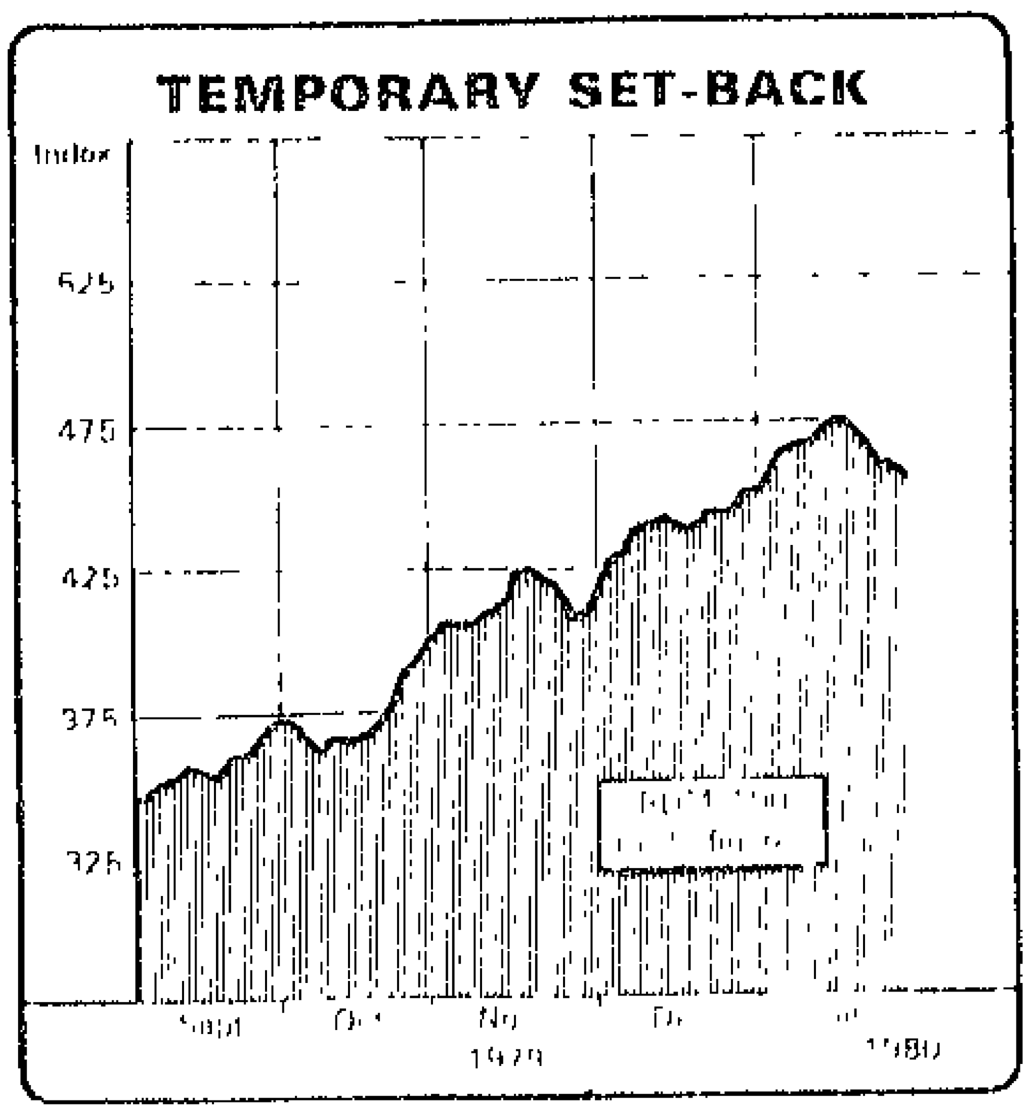
Industrial shares perked up on Wednesday in the wake of better trading on the gold board, and many brokers see the firmness lasting until budget day at least.

However, the upside potential could be limited by a number of factors. One of these is the withdrawal by institutions of some R500m of funds deposited for one- and two-year periods with building societies at around 8%.

Building societies placed these funds in gilts and will obviously have to sell on the market. This should increase interest rates and depress share prices. Fortunately, the effect is likely to be staggered and a large portion of these funds will probably find their way into equities.

Another is the possibility that the authorities will allow institutions to invest overseas. But that seems a bit far-fetched.

Peter Pittendrigh



Pre-tax

results and dividends

TRUST BANK

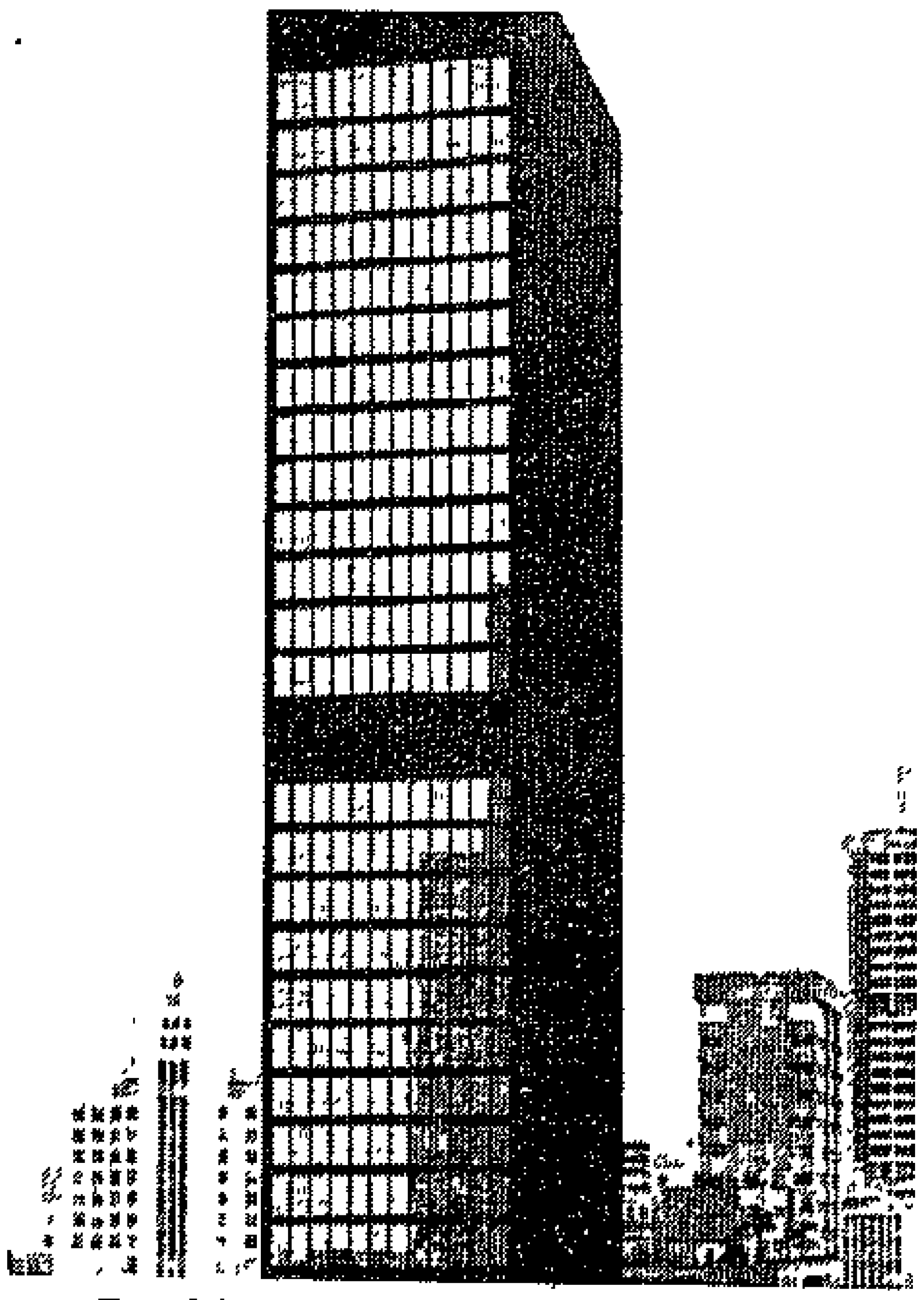
Stronger base

on 1/2/80

Trust Bank is steadily resolving its problems, but there remains a two- to three-year haul ahead before management will re-commence ordinary dividend payments That is the message of the bank's interim report for the six months to end-December.

With incomplete disclosure it is, of course, difficult to chart precisely the group's recovery. But as I understand it, the reported R5,2m taxed profit (R2m ahead of last year's total figure) masks no change in policy over transfers to hidden reserves. And the fact that R3.4m was transferred to disclosed reserves (on which the critical deposits to capital ratio is based) is a sign that the group is aiming for relatively significant growth over the next couple of years.

So though the board is confident that the first half's record results will be maintained during the second half, after payment of pref dividends, virtually all reported earnings will be ploughed back into reserves.



Banking profits grow . . . but property remains a drag

Despite growing confidence in the property sector, Trust Bank's property portfolio remains a drag on earnings growth. The fact is that many properties are yielding returns that are far too low either to be saleable or do anything much better than be marginal contributors to earnings. Thus, on the basis that a significant division is under-performing, the potential for strengthening the capital base through a rights issue acceptable to minority shareholders is limited. And that simply serves to underline the fact that near-term profit improvements will be increasingly dependent on banking operations and will be earmarked for transfer to disclosed reserves

As things stand, the bank should be able to maintain its earnings advance with little difficulty. Benefits of rationalisation with Bankorp are working through; premium rates are not having to be paid for borrowed funds as they were, say, a year ago, and turnover is on a steady up-trend helped b[illegible] demand for con[illegible] credit facilities.

Whether or not the improved prospects are sufficient justification for the [illegible] doubling to [illegible] over the past three months is another matter. Some of the recent advance was fuelled by rumour of an earlier than expected resumption of dividend. And as long as the [illegible] conservative policy instituted by controlling shareholder Bankorp persists, any precipitate rush into the dividend paying arena is unlikely.

By 198[illegible] however, when a start is made on conversion of the convertible prefs, bank earnings should be significantly better than now reported while hopefully property's problems will have been [illegible] overcome.

There are too many imponderables be[illegible] and then to make anything but a rough estimate of likely earnings. But it is probably reasonable to assume that a [illegible] covered the dividend could be paid in 198[illegible]. [illegible] that [illegible] the [illegible] are [illegible] overpriced. But providing management can continue to show profit increases at their present rate the [illegible] has its attraction for investors who are not looking for dividend income.

[illegible]

(iii) the last day or ... ire holders must register as such in order t ... offer;

[Para. (f) added by s. 8 of ... d by s. 12 (a) of Act No. 111 of 1976.]

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(2) No statement that, or ... ertisement is not a prospectus shall prevent the operation of th

158. Waiver of requiremen ... condition requiring any applicant for shares to waive compli ... of this Chapter or purporting to affect him with notice of any ... tter not specifically referred to in the prospectus, shall be void

BSS spy 'lent' money

CT 2/2/80

58

Own Correspondent

JOHANNESBURG. — Mr Karl "Zak" Edwards, the second South African police spy with connections in foreign funding orgahizations, is alleged to have misappropriated funds intended for a local community development agency.

He was recently named by DONS defector Mr Arthur McGiven as the money-distributing agent for Captain Craig Williamson, former assistant director and police spy at the Geneva-based International University Exchange Fund (IUEF).

The London Observer has reported that Mr Edwards set up the Rural and Educational Development Trust as a BSS agent and ran the Educational Research Trust which was, according to the Observer, designed to replace the Black Community Programmes in which the late Steve Biko was involved.

The trusts ran educational and technical training programmes in South Africa for black people.

Mr Edwards, according to the Observer, also was director and founder member of the Environmental and Development Agency which concerns itself with community development.

According to documents in the possession of the Cape Times Correspondent the Geneva-based World University Service (WUS) gave R99 890 to the Environmental and Development Agency (EDA) here.

The money was collected by Mr Edwards and sent to South Africa through a European-based organization, believed to be Southern Futures in Liechtenstein, to Development Consultants (Pty), a company set up by Mr Edwards.

This was four months after he had resigned from EDA.

Last October the EDA complained to WUS that it had received only R50 000 from Mr Edwards and that the rest of the money had been lent to a private individual

The 13 members of EDA in a joint statement to the Cape Times correspondent this week said. "Mr Edwards has loaned the money to a private individual without our consent or the consent of WUS".

They have refused to name the person as they believed he had been "used" by Mr Edwards

Stanley Uys reports from London that the general secretary for WUS, Mr Richard Taylor, said the money had been "perhaps only temporarily been misappropriated. We took a very strong view of it".

He said the money was paid to Mr Edwards for the "legitimate community programmes" of the EDA. In October they were advised by the EDA that only half of the money had not reached them

WUS sent a letter of protest to Mr Edwards, who replied that half of the money had been paid to the EDA and the other half lent to an individual.

Mr Taylor said WUS had been "very disturbed" at this and had asked Mr Edwards to ensure the entire sum was paid over to the EDA. He had now been advised that all the money had been paid to the EDA except for about R5 000.

Mr Edwards has not been contactable since he was exposed as a police spy.

Finansbank moves into big league

3/12/80

58

S. Times Business

By STEPHEN ORPEN

A MAJOR thrust into the big league in merchant banking is revealed today by Finansbank.

Starting with a R6,75-million, one-for-one, three-stage rights issue, the bank's executive chairman, Piet Liebenberg, tells me that, under the new programme, total assets are expected to climb to at least R160-million in the coming financial year beginning in April, and could exceed R200-million on the projected capital structure.

This compares with R2,6-million in 1970, only R76-million as recently as 1978, R113-million in 1979 and 130-million expected for the current financial year to end-March.

A draft circular of the rights document shows that after-tax profits have risen from R700 000 in 1978 to an expected R1,3-million for the current year and a projected R2,1-million for the 1981 financial year.

Earnings a share on the ordinaries are expected to lift from 1979's 31,9 cents to 38 cents in the current financial year and 44 cents in 1981.

Dividends are slated to rise from 12c to 16c and 20c respectively, on capital and reserves up from R7,3-million through this year's R10-million to R15,5-million in 1981.

A significant side benefit of the expansion, says Liebenberg, should be to confirm, for those not already convinced, that the bank is able to underwrite even the largest and most important issues in the private and public sectors. The new offer — the first rights issue from Finansbank — involves 2,7-million 50c ordinary shares at 250c each.

The shares will be allotted and issued in three equal tranches at end-March this year, end-September and end-March next year.

But the full subscription price for all the new shares must be tendered by the closing date of the offer, February 22.

The offer opens tomorrow.

After-tax profit attributable to the ordinaries is expected to be R1,025-million in the current financial year, 18,8% up on the previous year and R1,775-million in the year to end-March 1981.

The estimated yield on weighted average ordinary shareholders funds should be above 20% for both years.

As an increasing proportion of income is being derived from fees, commissions and profits "of a non-recurring or less stable" nature, policy is to gradually increase the dividend cover to some 2,5.

Underwriting will be by P J Liebenberg and Company Pty, with sub-underwriting by at least 10 of the countries leading pension funds and institutions, whose identity Mr Liebenberg revealed to me, but not for publication.

No listing on the stock exchange is contemplated at this stage.

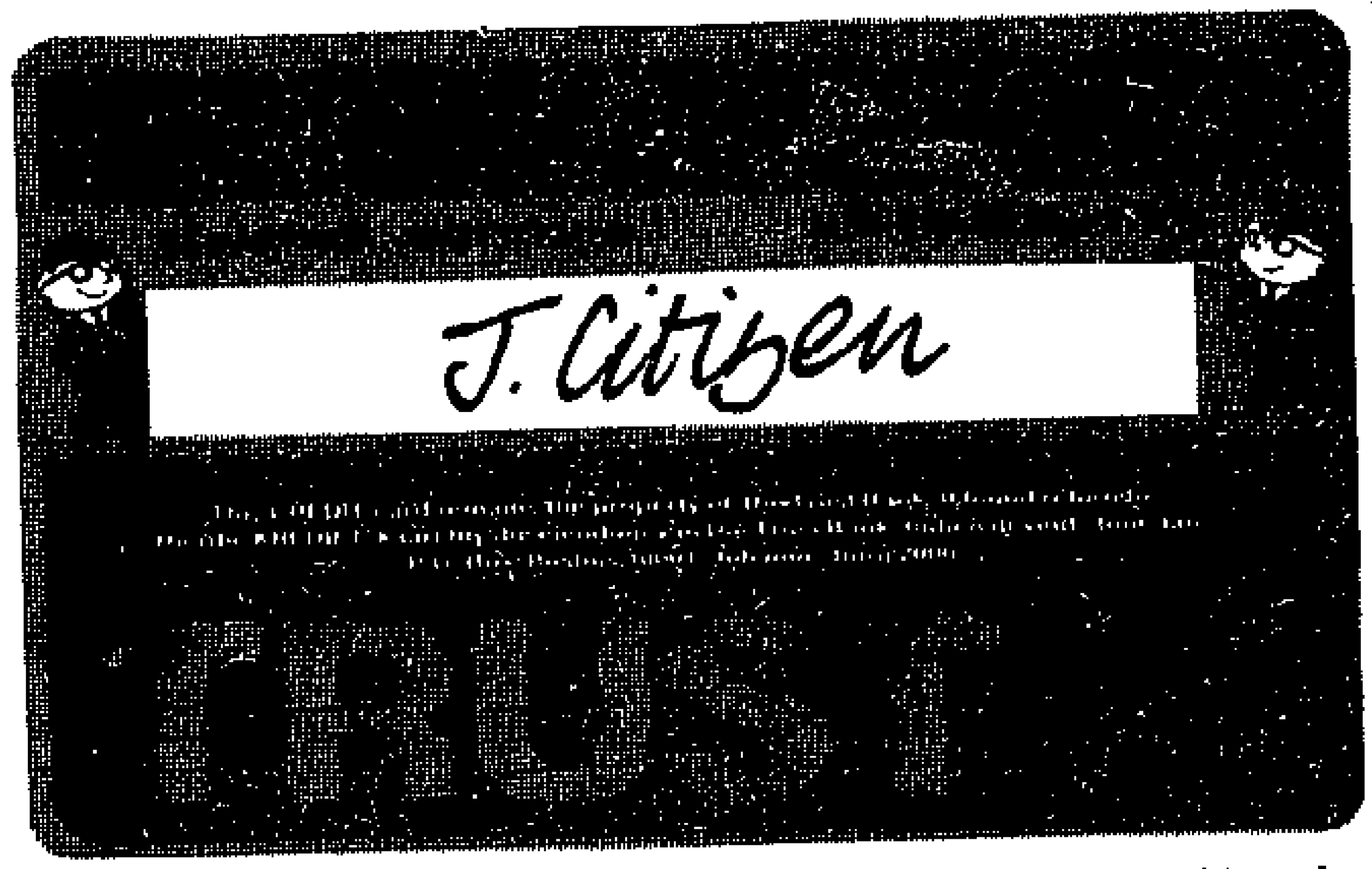
There are currently some 120 shareholders of which by far the largest are Sentrust and Federated Insurance.

Mr Liebenberg holds 350 000 shares, the two managing directors (Dr LA Porter and J N Hamman) some 293 000 each and executive director J L van den Berg 205 000.

(58) S Times
3/2/90 (Business)

Trust Bank launches credit card tomorrow

By JOHN SPIRA



TRUST Bank will launch a new, fully-fledged, credit card — the Trust Credit Card — tomorrow.

Administration of the new card will be handled jointly by Trust Bank and Barclays — the first time that two South African banks will have shared a complete administrative infrastructure.

Barclays will charge Trust Bank an administration fee for the use of the extensive and sophisticated systems which it has built up to handle its Barclaycard operation.

The agreement between the two banks implies that Trust Credit Card holders may immediately make use of the more than 37 000 Barclaycard merchants and of the wide branch network of Barclays, Wesbank and Trust Bank for cash withdrawals and the cashing of cheques.

It also implies that Trust Bank is immediately in a position to make a credit card facility available to its clients and the general public without having to incur the considerable cost and delay of establishing its own credit card infrastructure.

The new card offers all the benefits available to holders of other credit cards and, in addition, offers extra advantages if the holder is a Trust Bank client.

A client could, for example, pay his Trust Credit Card account via a telephone call to the bank's Trustline service.

Furthermore, a Trust Credit Card holder who is also one of the bank's Multi-Pref card holders, would enjoy preferential benefits on banking services used.

Koos Kotze, Trust Bank's assistant general manager of marketing services, believes that Trust Bank has achieved a major breakthrough.

In particular, he stresses the appreciable advantages which Trust Bank will derive from being able to make use of the Barclaycard set-up.

"South Africa has 800 000 cardholders," he says. "If each of those cardholders were to use their cards three times a month, some 2,4-million invoices would have to processed monthly.

"It is the enormous administrative headaches which arise from dealing with such numbers that we shall be avoiding."

PROTEA HOLDINGS (B)

In full bloom

FM 4/2/80

This time round, Protea Holdings promises to achieve a set of results sparkling enough to complement its excellent financial reporting. For, besides recently winning the *FM*'s Massey-Ferguson Award for the best annual report in 1979, the fourth time it has earned this distinction,

Financial Mail February 8 1980

Protea has managed to boost earnings by 63% at the interim stage on only a 28% improvement in turnover.

For the six months to end-December, turnover is up from R100,8m to R129,1m, while trading profit surged from R4,5m to R7,6m for a 66% gain. Attributable income was, however, slightly diluted by a much larger minority interest of R242 000 (R23 000). In the event, earnings were 63% ahead at 25c (15,3c) and the dividend raised from 5c to 8c, as much as to reflect better prospects as to reduce the disparity between interim and final.

Chairman Fred Beard ascribes the significant increase in profit to "very much more favourable" business conditions. And, if they persist, he feels that the previous forecast of earnings of 40c for the year is too conservative. Now he is aiming for "at least 50c" and a total dividend of 23c.

Interesting developments during the first half included the purchase of Durban Overall for R1,4m in cash, payable over 18 months, by the Berden Group. While this is not expected to affect current earnings and asset value, rationalisation should further increase the already sizeable share of the local protective clothing market.

The market had a hint of the good news to come and the share has risen from 235c at the beginning of the year to 300c just before the announcement. Following the news, the share put on another 20c, closing at 320c to yield a prospective 7,2%. In comparison with the sectoral average of ,5%, Protea is still attractive. *John White*

Star 5/12/80.

Bank takes a new look at black business

58

Mr Alfred Moema proudly watches as his wife, Elizabeth, puts the finishing touches to the display of merchandise on the new shop fittings in the old-established family business in Soweto. Looking on are Barclays African Business Unit's deputy manager, Mr Ian Hulbert and account executive, Mr Ali Kokoka.

Barclays has set up a Black Business Unit, a specialist department aimed primarily at understanding and meeting the growing needs of the black businessman.

Commenting on the new venture, managing director Mr Bob Aldworth says: "The formation of this unit gives us the opportunity to pay special attention to the financial requirements of the black businessman. The time is ripe for the encouragement and development of the free market system."

Since 1975 the bank's business development department has been providing training in business skills and black traders have participated in business management courses run by the bank in conjunction with the Centre for Developing Business of the Wits University Graduate School of Business. Consequently, the Black Business Unit is not stepping into a vacuum as groundwork has been laid by Business Development officers countrywide and contacts made with progressive businessmen through seminars and training courses.

According to Mr Mark Hecht, manager of the Black Business Unit, black business has, in the past, been handicapped by two factors — the lack of basic bookkeeping skills and knowledge of sound business practice and the shortage of capital for expansions, often due to the lack of suitable security against which to borrow.

+2 (232) (58) FM 8/2/80

CORPORATE RESPONSIBILITY

Cash or morality?

Last month's provisional liquidation of Longtill Construction (LC) raised issues of corporate responsibility and morality that have largely lain dormant for over five years — since the crash of certain Mosenthal group subsidiaries.

For Longtill Construction is a 40% owned associate of Retco, itself 32% owned by SA Breweries. Hence some very responsible and highly respected businessmen were involved in the decision to let LC go to the wall.

Let's first be clear that here we are discussing questions of ethics and responsibilities — not legalities. There is, under the Limited Liability principle which governs most corporate enterprise in this country, no obligation whatsoever on a parent company to make good the losses sustained by those doing business with one of its subsidiaries — and that, of course, applies to associate companies as well.

In fact, the principle — or lack of such — of letting subsidiaries and associates go to the wall has plenty of precedent, and some quite illustrious names have been involved. Apart from the Mosenthal group already mentioned, the State corporation, IDC, allowed Rolway to fold, Feltex let Oaktrèe go, and there was the famous Wit Industrials' sinking of Penguin.

Overseas, in Britain, the pattern is much the same. The State-owned National Enterprise Board last year turned its back on a subsidiary, British Tanners Products, and a number of small suppliers are likely to go bankrupt in consequence. And two publicly quoted companies have recently stood aside from their subsidiaries, with a judge commenting, in one case, that although such action was the parent company's "right in law, it may well be that it is an attitude which is unfortunate."

That, of course, is putting it mildly. Not only is it an unfortunate attitude, but it is one which could bring the whole Limited Liability system into disrepute.

Retco's MD, Jimmy Ward, agrees that the decision on LC is "arguable, contentious and controversial". LC, however, on the board of which Retco was represented by two "nominee" directors, was a "non-managed trade investment". As such, and as it was not a subsidiary, the decision was taken — reluctantly — to pour no more money into it: "Rescue would have been tantamount to making a substantial new investment"

Talking to Ward, one senses his regret — and gets the impression that things would have been different had the stake been 51%, not 40%. And there is little doubt, too, that the decision was influenced by Breweries (which, with its 32% stake, has Dick Goss, Selwyn MacFarlane and Ken Williams on the Retco board).

Another recent example, so far unpublicised, involves a firm of shipping agents, Eurafma, once owned as to 50% by Fedmis, with the other 50% in the hands of German partners who had full management control. Here, so Fedmis' Cecil Robertson told the *FM*, Eurafma had "a disastrous year in 1978, so we backed out" Fedmis took the view that, since it had no managerial responsibility, it had no moral obligation to creditors. The view was, although Fedmis directors' names graced the Eurafma board, that "it was up to every creditor to manage his own affairs".

Nevertheless, to Fedmis' great credit, it did not just wash its hands of the whole affair. As a "token gesture", it made an offer of 50c in the rand to all creditors, and two out of the three "substantial" creditors have accepted this

And, Robertson acknowledges, the fact that the offer was made shows that Fedmis did accept that moral issues were involved

In the UK, with British Leyland (also now owned by the NEB) teetering on the brink there is pressure for changes in the law affecting limited liability.

The Consultative Committee of Accountancy Bodies, a committee encompassing all British accountancy organisations, wants the law changed so that parent companies would be liable for the debts of subsidiary companies unless they publicly register their intention otherwise.

Retco's Jimmy Ward . . . down goes Longtill

The suggestion has been forwarded to the Department of Trade (and also to a State Commission currently examining the problems of corporate insolvency), and a former Solicitor-General, intends to raise the matter in Parliament

In detail, what is proposed is a Register on which a parent company would declare all subsidiaries for which it would *not* be liable. Those not so listed would automatically carry the full guarantee of the parent All stationery would have to specify the status of the subsidiary, so that everyone dealing with the company would be clear as to the extent of their risk.

One hesitates to call for a similar system in SA, if only because extra legislation, with its in-built rigidities, is inherently undesirable. But the Johannesburg Stock Exchange, should certainly, so far as listed companies are concerned, consider making rules along the lines suggested.

That wouldn't solve the problems for unlisted companies, nor would it even touch on the issue of associate companies, probably the knottiest problem of all. But it would represent substantial progress in the right direction, and could, by example, influence corporate morality in the right direction.

What we don't need is an "11% morality" — a morality which sees one set of obligations in a 40% holding, and another if the holding is 51%.

SAB'S VIEW

SA Breweries has issued this statement to the *FM:*

SAB actions are guided by what it considers to be the best long-term interests of its shareholders. In cases where SAB has management control of a company and is in a position to direct its affairs and determine the company's destiny, SAB will invariably support that company during times of financial stress.

These guiding principles would apply in the case of subsidiaries and those companies in which SAB is the major shareholder, and is in a position to appoint the majority of directors to the board. SAB does not believe that the interests of its shareholders are well served when it assumes such obligations in relation to trade investments — that is companies in which it has a stake, but where it is not in a position, because of the composition of the shareholding, to manage, direct of determine the destiny of the business.

In the case of Longtill, indirectly SAB holds an approximate 12% share of the equity of the company and it was not responsible, directly or indirectly, for the company's management.

SAB believes that undertaking a "rescue operation" in these circumstances would create an unacceptable precedent and be impossible to justify to its own shareholders.

FM suspects that this is being closely examined by the De Kock Commission. By this method (according to which banks would be required to hold cash with the Reserve Bank against their liabilities) the liquidity of the banks — and therefore their potential for credit creation and ultimately expansion of the money supply — could more easily be controlled, argue its proponents. For example, an increase in the cash reserves of banks as a result of high net gold and foreign exchange holdings could then be effectively counteracted by open market sales to banks. Or their cash ratios could simply be raised.

Equally important is the fact that a cash ratio system eliminates the case for special pleading by certain sectors of the market to have their debts classified as liquid assets, thus enabling them to borrow more cheaply. The Land Bank — a very politically sensitive institution — is a case in point. The Industrial Development Corporation and the Johannesburg Stock Exchange are others.

The cheap mortgage rate offered by the Land Bank to farmers is an important factor behind the sharp rises in land prices. The same argument applies to building society rates and the cost of houses. In both cases an attempt to guarantee a cheap source of funds has distorted the end price and misallocated resources.

An interest rate structure determined by supply and demand must, of course, go hand in hand with a broader, more active market in long-term securities if open market operations are to be successful. This means the De Kock Commission will have to take a hard look at the roles of such institutions as the National Finance Corporation, the discount houses, the stock exchange and the building societies.

For a secondary market to develop sufficiently to allow effective open market operations, competition is vital. And any institution, such as the outmoded NFC — which has long outlived its role of encouraging a money market — that hinders this process needs to be removed or revamped.

While the NFC exists as a borrower of last resort the discount houses will not reach their full potential in the money market. Certainly in the absence of the NFC the discount market might require a substantial injection of capital to support expanded business — and possibly higher gearing ratios. But a more active discount market will certainly help to iron out current interest rate distortions and create a far more active Treasury bill market. The latter could then become a more effective means of Treasury's participation in regulating the market.

For many years the NFC was used by the authorities to enable the Treasury to issue Treasury bills at well below market rates. This was done by forcing the banks to make deposits with the corporation which it used to buy the weekly number of bills on offer. As a result the market in these bills was stunted.

It was a partially effective means of forcing short-term interest rates down, especially after discount houses were required to present Treasury bills at the Reserve Bank for last resort assistance (another captive market).

It fell apart, however, when the Reserve Bank tried recently to use the Treasury bill's artificial rate to keep short-term interest rates higher. The weight of liquidity in the banking system was just too much.

Monetary commission chairman Gerhard de Kock . . . facing a daunting task

The return of the bank rate as the penal rate at which last resort assistance is given to the banks is also needed. At present it is arbitrarily determined by the Reserve Bank and, as a means of controlling short-term interest rates, the bank requires commercial banks to link prime overdraft rate to it. As the authorities would like to see short-term rates firm, they are making bank rate artificially high.

The consequence is that bill finance today costs less than half of bank overdrafts and it is to the bill markets that the banks have turned to increase their lending.

This means that they are, in effect, increasingly guaranteeing grey market loans rather than lending themselves. The grey market over which the authorities have absolutely no control is thus burgeoning.

The position of the building societies is another area that requires serious examination by the De Kock Commission. As they increasingly become involved in the creation of credit without adequate central bank supervision, so they distort the market mechanism and make control of it more difficult.

Stockbrokers also bear examination. They have a charter that legally prevents others — apart from those who are required to invest in prescribed securities — from encroaching on their position as dealers in official securities. That can hardly be in the interests of broadening markets to ensure that open market operations are more successful.

Of course, redefining the money supply, setting monetary growth targets and removing distortions from the market places, all of which are implicit in the task of the Commission, include details that are controversial and which the Commission will have to approach with circumspection, after consultation.

But probably the overriding consideration is that the domestic price of credit is reflected in the external value of the currency. This implies a depth and breadth of understanding of the relationships within the financial price mechanisms that is not yet evident in Church Square's activities.

The extent of the De Kock Commission's task is daunting. The time available to it as the gold price creates additional pressures for a more reliable system shortens by the day. But the need to educate the central bank, unable as it is even to float the rand, in the more effective implementation of monetary policy could be the Commission's toughest task.

Time, however, is critical. We can no more afford the recalcitrance of the central bank than the privilege of the building societies or the protection of stockbrokers. Indeed, can we afford even to wait another 10 months for the De Kock Commision's report?

MONETARY SYSTEM

Revision is now vital

The blatant contradictions within this country's monetary system have suggested for some time now that it needs a thorough overhaul. More recently, however, as the gold price has soared, unleashing a flood of liquidity that could become a tidal wave, the need has become greater.

For unless we have a system sufficiently robust and resilient to cope with potential gold earnings that this year could be 30% of gross domestic product, compared to 10% in 1978, the chances of runaway inflation loom.

Of course, in recent years it can be argued that the system has passed muster. The money supply has been kept under tight control and, despite unpredictable setbacks, inflation is losing its momentum. But this has happened during a period of declining business activity and consequently falling interest rates, considerably assisted by fiscal policy.

However, there are indications that in changed circumstances — rising business activity and booming gold earnings — the system we have could fall far short of adequacy.

For instance, control of the money supply has required, even during a period of reduced bank lending, both a tight quantitative credit ceiling as well as inordinately high bank liquidity ratios.

We have seen the money supply itself fluctuate wildly from month to month, suggesting that at times the authorities were not in complete control.

Moreover, the piecemeal implementation of policy has resulted at times in the rand's international value actually declining when the trade surplus was approaching record proportions. This meant that, while trying to curb inflation at home via the money supply, we were encouraging import prices to rise via the exchange rate.

Our peculiar brand of monetary policy has also resulted in government, which does not need the money, borrowing at half the price paid by commerce and industry, investment in which has been lagging.

Of course, these weaknesses were evident long before the gold price took off. For this reason the De Kock Commission was set up to devise a more efficient system. But the gold price makes its task all the more urgent and all the more important.

Unlike the Wilson Committee in Britain, the De Kock Commission has not been particularly forthcoming in public on its line of reasoning. But from its interim report this time last year on exchange rate policy, it clearly believes that the implementation of official policy can best be achieved by encouraging the allocation of resources through the use of the competitive market place and the price mechanism.

Apart from its interim exchange rate recommendations, and despite the final [illegible] elements [illegible] a few [illegible].

[illegible], a number of institutions are gearing up for anticipated changes — bringing in new staff, but holding back on some [illegible].

Of course, control through the indirect manipulation of markets by the authorities was a principle accepted by government in the early Seventies.

Consequently, the Banks Act provides for variable liquid asset ratios and attempts at open market operations have [illegible]. But the continued existence of the lending ceiling and the extent to which liquidity ratios had to be [illegible] suggest that there were other [illegible] contradictions.

One was that markets in official securities had become [illegible] after years of government's refusal to pay a market rate for its loans. Instead, it created a captive market by forcing institutions, through legislation, to invest in its securities at [illegible] low returns.

Privileged

Another was that for political reasons the authorities allowed certain institutions a privileged position in the competitive market for resources. For instance, to keep the mortgage rate artificially low, it gave building society investors tax exemption. The consequence was that too many resources have gone into the housing market, rather than into productive investment.

However, in the last two years there has been a distinct and welcome change in the attitude of the monetary authorities. This was particularly evident in the increasing participation of the Reserve Bank in the securities markets. Sales of long-term government stocks on the market last year were an important determinant in the control of the money su[illegible]

And, since Owen Horwood's tenur[illegible] Minister of Finance, Treasury has ind[illegible] a greater willingness to pay a [illegible] market-related rate for its debt.

But while these moves are to be [illegible]comed, fundamental distortions in [illegible] market remain. The system needs ra[illegible] change. In fact, even the system of l[illegible] asset control has practical weakness[illegible]

For instance, banks are able to e[illegible] their own liquid assets simply by ex[illegible] credit in the form of bankers' a[illegible] [illegible] 10 [illegible] bank's acceptances [illegible] be classified as part of its liquid [illegible] portfolio. And every time govern[illegible] finances itself by selling liquid ass[illegible] the banks it further expands the b[illegible] lending base. This means that Treas[illegible] open market operations can have ex[illegible] the opposite of the desired effect [illegible] deal in short term securities.

The efficiency of open market [illegible]ations depends on the maturity o[illegible] stocks sold and on whether banks or [illegible] buy them [illegible].

In addition, bankers point out that market operations by the Reserve [illegible] should embrace considerably more [illegible] the sale of government stocks. [illegible] monthly swings in liquidity betwe[illegible] public and the private sectors coul[illegible] instance, be evened out if Treasury [illegible] its tax receipts back in private banks as government desposits [illegible] than hold them in the Reserve Bank.

The liquid asset system also d[illegible] interest rates in the money market [illegible] particularly when there is a shortage of [illegible] Rates on [illegible] which are [illegible] non-liquid assets tend to [illegible] much faster than those on liquid [illegible] This is because the sale by banks of [illegible] liquid assets — to improve their li[illegible] ratios — brings in cash (a liquid [illegible] while the sale of liquid assets do[illegible] improve the bank's liquidity, si[illegible] cause it is selling one liquid as[illegible] another.

Furthermore, the ruling that [illegible] must reserve liquid assets agains[illegible] month end instead of average [illegible] liabilities often means banks are fo[illegible] buy in liquid assets against lia[illegible] which may be artificially inflated [illegible] two or three days of each month.

Banking experts insist that a sw[illegible] variable cash ratio system would [illegible] more effective method of control

(58) FM 8/2/80

FINANCIAL RAND

Much ado about little

Overseas arbitrageurs, who have been dealing heavily in gold shares, are up in arms over the Reserve Bank's denying them unfettered access to local bridging finance — and have made their criticism known in Pretoria and Cape Town. The arbitrageurs go so far as to claim the Bank is imperilling the very status of Johannesburg as an international gold share trading centre.

If matters are not put right, they say, there could be a very definite shift of dealing to London or Wall Street. But these claims, say the Exchange Control Division of the Reserve Bank, should not be taken too seriously.

The much-publicised and exaggerated recent difficulties of the French Bank last week focused the financial community's attention sharply on the problem, amid a furore of rumours and uncertain fluctuations in the financial rand discount. One of these rumours can now be nailed: a Reserve Bank spokesman repudiates most emphatically suggestions that the French Bank or any other has been dealing in financial rand on its own account. The problem hinges around overseas dealers in SA shares having to arrange bridging finance of one sort or another to cover the differences in settlement periods between the exchanges on which they deal. Thus, New York settles five business days from the date of trade while London has, generally speaking, a two week settlement and Paris settles on the last business day of the month. Johannesburg settles every Tuesday.

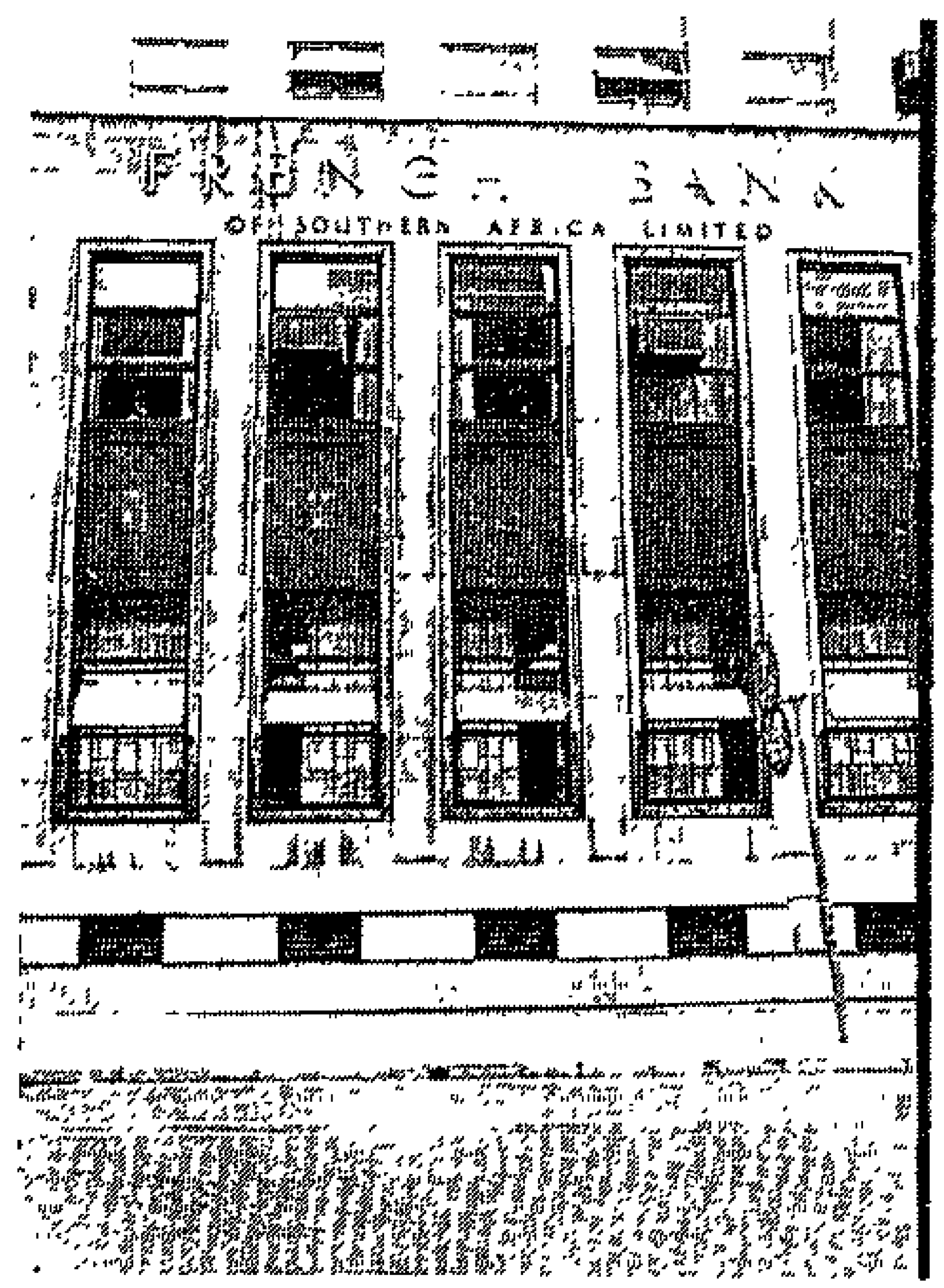
Bridging finance

Overseas arbitrageurs say that the only profitable way for them to deal in Johannesburg is to obtain bridging finance from local banks. Such finance is secured, either by pledge of scrip in Johannesburg, or by overseas collateral ("back-to-back deposits") furnished in foreign currency in centres like London or New York.

The Reserve Bank recognises the value of this form of finance for overseas share dealers and allocates limits within which such advances could be made to individual arbitrageurs. Specific Reserve Bank authorisation was required, because such lendings would otherwise fall foul of Exchange Control Regulation 3(1)(f), which restricts local borrowings by non residents.

What went wrong was very simply that the recent surge in gold shares dealings on the JSE, and the concomitant rise in prices, overwhelmed the overdraft limits set earlier. Not only did these two factors much expand the rand value of transactions, but delivery dates began to stretch out as brokers were swamped under a rising volume of scrip.

In these circumstances, the French Bank found itself exceeding the prescribed limits of lending to foreign arbitrageurs, although it claims this was arguable, and was obliged by the Reserve Bank to bring its advances back within limit. In consequence, overseas dealers were temporarily embarrassed because of a brief freeze on scrip deliveries. This in turn, reportedly led to heated communications between at least one important overseas broker and local officials.



French Bank . . . in the eye of the storm

The French Bank has now complied with all Reserve Bank's requirements. The Reserve Bank is categorical that there are no outstanding differences.

Regarding the banks generally, the Reserve Bank states that all applications for increased limits received before the current week have been approved. One major bank, in acknowledging that its own applications for higher ceilings had been granted, noted that the Reserve Bank has awarded an important additional concession: whereas, previously, individual ceilings had been set for each bank client, which had to be adhered to separately, a globular ceiling has now been fixed for all arbitrage clients. This must be followed on an aggregate basis, so that there is now much greater flexibility in meeting the fluctuating needs of individual clients.

But there are still outstanding differences between the Reserve Bank and the overseas arbitrage community. For a start, the Reserve Bank disputes the contention that local bridging finance via the banks is indispensable to this class of share dealing business. The arbitrageurs claim that they dare not buy commercial rand to finance their deals because this would expose them to an intolerable exchange rate risk.

This allegation is rejected by the Reserve Bank, which says that arbitrageurs have made considerable use of this form of financing in the past and that it is arguable whether the rand rate is more volatile now than during periods when commercial rand were, in fact, extensively used for bridging purposes.

Moreover, says the Reserve Bank, local brokers have not lost the right themselves to extend bridging facilities to overseas arbitrage clients, a facility which robs the argument of some of its force.

No special pleading

The Reserve Bank also insists that all foreign borrowings (including these bridging facilities) must be dealt with in the framework of Regulation 3(1)(f), regardless of special pleading.

Nevertheless, although the Reserve Bank appears to be dealing sympathetically with applications for increased lending limits to foreign arbitrageurs, the whole debate is being conducted in an atmosphere of increasing unreality. The foreign borrowing restrictions had their most pertinent application at a time when SA was scavenging every cent of foreign currency in the mid-Seventies.

Now, the situation has changed completely. If the gold price holds above $600, or even above $500, ways will have to be found to prevent a wave of liquidity from swamping SA's defences against inflation, while foreign reserves soar. In these circumstances, a niggling attitude about local borrowings is not only misplaced, it is also thoroughly bad economics.

There is an additional specific argument for the free award of local bridging facilities to overseas arbitrageurs. The aggregate level of these facilities is closely tied to the level of share dealings on the JSE, as the overdrafts in question must be repaid as and when arbitrageurs close off their transactions. Consequently, when a surge in dealings subsides (as it has been doing very recently) the float of lendings for this purpose automatically falls back to more normal levels without any adverse repercussions on the reserves.

Financial Mail

FM 8/2/80

(59)

EXCHANGE RATE

Who's in charge here?

Are we heading towards the trauma of yet another series of massive and sudden changes in the external value of the rand?

Is the economy again to be buffeted by sharp speculative moves into and out of the rand, anticipating overnight revaluation or devaluation?

Are the reserves again to be depleted and growth thwarted by an inadequate exchange rate policy?

It is clear that SA's currency is undervalued. How can it fail to reflect, even marginally, gold's recent surge? Combined with solid performance by other exports, gold at, say $450 in 1980 could result in a current account surplus which would make 1979's record R3 000m look modest.

Granted, exchange rate policy is not wisely based on short run trends. But a policy is also not wise that does not allow market forces to be reflected in prices, which are nothing more than signals sent by the market. If these signals are smothered by bureaucratic controls, resources are not efficiently allocated and the economy, and the people, suffer.

This is happening in SA today and the guilty party is the Reserve Bank. What makes matters the more galling is that the Bank is out of step with government's own advanced thinking. This is to move away from controls towards the free play of market forces that jointly will encourage faster growth and enable the more effective implementation of official policy.

No less a figure than the Prime Minister himself has made the point. In his address to business leaders in November he made this unequivocal statement: "I want to state very clearly that with the term 'economic strategy' I do not mean any form of central planning. The formulation and implementation of an 'economic strategy' does not in any way imply greater government intervention in the private sector by way of measures of control. My government not only fully subscribes to the principles of free enterprise and the market mechanism, but we will apply these principles in practice to a greater extent. Had this not been the case this meeting would not have taken place today."

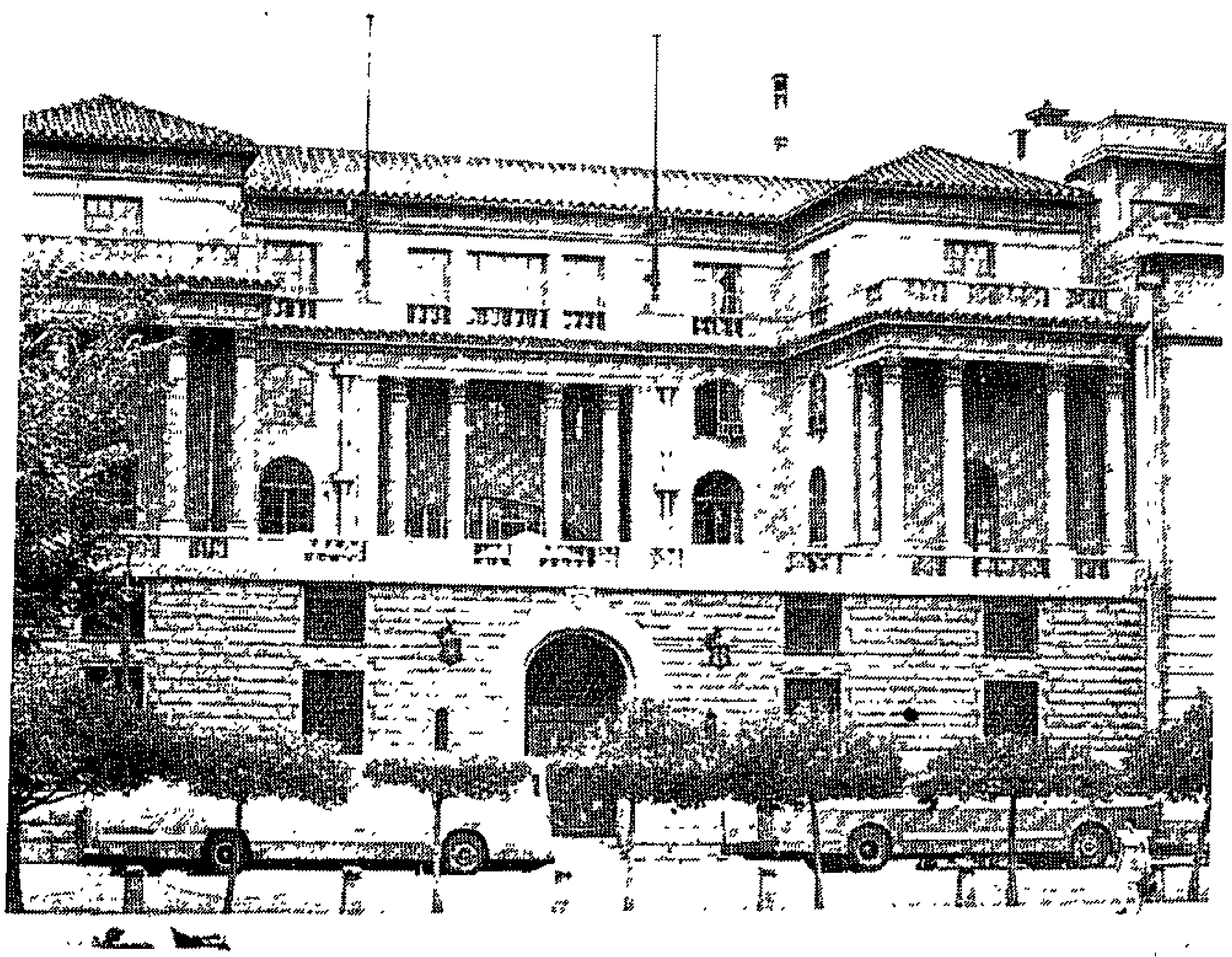
After the De Kock Commission's recommendations (*FM* January 26 1979) to the government, Finance Minister Owen Horwood instructed the Reserve Bank to put them into effect. The private sector quickly geared up for a free market in the rand. Crash training programmes were carried out, experts were flown in from the world's great financial centres while local men were dispatched for spells in overseas currency markets.

It was the stated intention to proceed cautiously as the necessary expertise was not yet available in the SA banking system. This was prudent but, as is always the case, the private sector, driven by competition for future profits, wasted no time.

Monetary authorities admit they were surprised at the alacrity with which SA's bankers developed slick, sophisticated teams of currency managers and dealers.

Recalcitrance

Over at the Reserve Bank in Pretoria's historic Church Square, matters were different. Nothing changed very much. Young officials were not shot abroad to gain experience. Astute currency managers from friendly European central banks were not invited to give of their experience and expertise. An air of recalcitrance settled over the Bank. After years of absolute control, its old-fashioned hierarchy was not about to surrender its powers and enter PW Botha's age of free enterprise. Not without a fight, anyway.



Reserve Bank . . . marching to its own drummer

FINANSBANK (38) Fin 8 lcke

Rights issue

Merchant bank Finansbank's rights issue is significant for two reasons. It indicates the importance small banks place on size. It also demonstrates that it is difficult to grow through acquisition or merger.

For several years Finansbank's executive chairman Piet Liebenberg has made no secret of his search for a large partner or a banking acquisition at a discount on net asset value.

His failure to find either might, in fact, turn out to be an advantage. Growth through mergers and acquisitions are notorious for short run earnings setbacks.

On the other hand, difficult though many small banks have found it is to grow organically, Finansbank has two advantages at present. One is its past record — its return on funds has for some years led the industry. The other is that it could not have chosen a better time to issue additional capital — it is relatively cheap and certainly in abundance.

Liebenberg is taking full advantage of these conditions and is doubling the bank's share capital, albeit in three stages.

Of course, one of the attractions to the directors, who together own more than 50% of the bank, of this growth initiative is that control will remain firmly in their hands.

Liebenberg says it will be reduced, however, by the issue to between 30% to 35% as not all shareholders will take up their rights. He, in particular, owns more than the statutory 10% and will thus bring his own stake into line.

The shares not taken up will be placed "strategically" with shareholders capable of introducing business to the bank, which is important for growth and partially must compensate for not having found an influential partner.

Another interesting aspect of the issue is that the prospectus contains profits, earnings and dividend forecast for the current year, which ends in March, and for 1981. According to them, profits will in 1981 be more than double those of 1979; EPS will be 38% higher and dividends 67%. The forecasts are not on a fuller disclosure basis.

Liebenberg is against a listing for two reasons. He sees no need to place a market value on shares for which, he says, there are no sellers. Secondly a quoted share price is, he believes, one factor that could reflect on the image of the bank over which management would have no control.

Under present circumstances, margins of most banks are so wide that they cannot help but make large profits despite the low demand for loans. Finansbank being no exception — and indeed having displayed above average skill in the past at asset and liabilities management — is unlikely, therefore, to alter much the course of its business.

At present, leasing and HP account for between 40% to 45% of its total outstandings, which includes its involvement in the off-balance sheet bill market. Its acceptance business has also shot ahead since capital requirements on these assets were reduced, but is still modest.

[illegible]

That fight might now be shaping up. The *FM* believes that [illegible] was actually an exchange [illegible] dence in which [illegible] unhappiness with the Bank's failure to achieve a genuine, [illegible] for the rand.

There does not seem to be an understanding in Church Square of the difference between intervention in the market and total domination. When the Reserve Bank is a buyer or seller of unlimited amounts of rands or dollars at generally known prices, then there is no market. All you have is a system that [illegible], sooner or later, in sudden, sharp changes in the external price of the currency, for it encourages speculative positions to be built up.

Intervention, a more subtle and complex activity, calls for astute central bank footwork at the margin. The private sector must be kept [illegible] and it must be squeezed when it gets into trouble. Otherwise the forces of supply and demand will not operate and this, in turn, frustrates the [illegible] of government, which is to [illegible] sound economic growth.

[illegible] bank independence is an important principle. But it surely does not [illegible] the [illegible] of government's [illegible] the currency reflect market forces. [illegible] in matters such as this, the central bank acts as an agent of the [illegible].

[illegible] of the reserves is another [illegible] principle. But in past years by [illegible] rate that was not [illegible] the market, the Reserve [illegible] squandered reserves in [illegible] a fruitless [illegible].

[illegible] the urgent need to devise [illegible] to deal with [illegible] the [illegible] interest rate [illegible] Canada, for example [illegible] between the [illegible] rate, which is what government pays for its short-term loans, and that of prime overdrafts, which is what the private sector pays. Also we have credit ceilings with banks flush and underlent!

No piecemeal policy can effectively deal with these problems. A broad approach is needed, part of which must be properly managed float for the rand. Such a policy must also allow for SA banks to shift some of their swollen deposits into [illegible] market [illegible] can take a [illegible], at the same [illegible] liquidity [illegible] inflation.

Distortions

[illegible] it is pointless for Pretoria [illegible] to mop up liquidity [illegible] interest on money it doesn't [illegible] and perpetuating interest rate distortions. Rather let bottled up funds flow out [illegible] interest rates will rise according[illegible] [illegible] encourage the switch [illegible] to cheaper [illegible] hampering the [illegible] for the SA economy [illegible] of our main trading [illegible].

It would be [illegible] for the [illegible] to resist attempts to [illegible] SA banks to [illegible] deposits abroad [illegible] would reduce [illegible] For with [illegible] would have [illegible] For with [illegible] control [illegible] the short [illegible] outflow [illegible] the Bank's own [illegible] at cost to the day, [illegible] has not much idea to where [illegible].

As with the matter of the rand [illegible] Reserve Bank must be carried, [illegible] into PW [illegible] of free enterprise. The m[illegible] foreign deposits and other mea[illegible] our financial markets [illegible] put into effect if growth opportun[illegible] not to be lost.

It was for good reason that [illegible] the British economist [illegible] The Art of [illegible] Managing markets [illegible] the finesse of an [illegible] not be conducted by wielding [illegible].

KRUGERRAND MARKETING [illegible]

Barclays [illegible] still selling Krugerrand at prices well above [illegible] on the Johannesburg [illegible] and the SA Gold Coin Exchange [illegible] repurchase prices [illegible] the Reserve Bank [illegible] for the average of the last two London gold fixings.

On Tuesday February 6, Barclays' buying price was [illegible] selling price R[illegible]. The JSE recorded buyers R580, sellers R590, while the SAGCE had a range of R578-R590. The Reserve Bank was purchasing KR at R546,13. So, a Barclays client who went to his own bank would have received R16, or some [illegible] less than if he had gone to the Reserve Bank, and [illegible] over [illegible] less, than if he had sold on the JSE.

On the buying side, the Barclays price of R6[illegible] was some R30 over the top end of the SAGCE range [illegible] R40 over the JSE sellers' price. [illegible] comparison [illegible] difference [illegible] Barclays.

[illegible] Barclays [illegible] continues to [illegible] [illegible] KR [illegible]

[illegible] spokesman for the bank [illegible] not prepared to comment.

Krugerrand [illegible] . . . shop around

Financial Mail February 8 198[illegible]

To promote a society with a social structure conducive to good health must involve the medical profession in becoming more politically involved and articulate and using their collective influence to change those features of the existing social structure - such as the migrant labour system - which are antithetical to good health in this society. Health care is, in this society, the product of a political process and political decisions determine the distribution of this care across groups in the population, the amount of resources made available for it and the access that individuals have to the health ... Medicine already is in ... rticulately ... th. At ... pact that ... ith ... rightness ... a. ... , the ... ly ... that ... com- ... promote

Currently, three widely read books - *Medical Nemesis* by Illich (1976); *Who Shall Survive?* by Fuchs (1974), and *The End of Medicine* by Carlson (1975) - have appeared attacking clinical medicine in fundamental ways. All of these works offer important and informative critiques of scientific medicine, indicating its severe limitations, and are agreed in general terms, with the thrust of the argument in this paper about medical ineffectiveness. However, these books'analyses of medicine lead them to conclude that little can be done at a societal level to improve health services. As a consequence, they argue that individual responsibility for health care should be maximised, that less medical care is better, and that medicine should be debureaucratised and decentralised. As Fuchs puts it 'The greatest potential for improving health lies in what we (as individuals) do and don't do to ourselves' (1974:51). These arguments are deeply flawed in several critical respects and should be briefly looked at prior to examining the structure of the South African health care delivery system, in order to assess whether possible changes to it are of any significance. It is to the most popular of these books, Illich's, that one should very briefly turn.

Illich's argument focuses on the ways in which medicine is pernicious and on detailing its bad effects ('iatrogenesis') on three levels: on the level of *clinical iatrogenesis* stemming from unintended mistakes and complications from treatment: next on the level of ...

FM 9/3/80
(35)

INTEREST RATES

Downward potential

The view that both long and short-term rates will begin easing gently after the February month-end seems to be taking hold gradually.

But Faure cautions, delays in policy responses by the authorities to a liquidity build up could have a *temporary* downward impact on short-term rates.

			[illegible]		8,80	4,96	4,.
45-64	17,46	9,49	26,27	18,72	24,27	17,87	18,0[illegible]
65+	73,62	54,55	92,20	82,93	96,90	71,79	53,38
ALL	9,44	7,40	8,03	5,51	14,62	11,00	8,77
NO.	19600	15374	2828	1967	16632	12847	18348

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	M	F	M	F	M	F	M	F
						[illegible]	0,21	0,20
	[illegible]	0,22	0,68	0,20	1,40	0,38	0,68	0,12
25-44	1,18	0,30	1,43	0,37	3,32	0,70	1,22	0,26
45-64	1,25	0,42	1,55	0,40	2,89	0,76	1,10	0,31
65+	1,26	0,71	1,34	0,91	2,19	0,90	1,02	0,53
ALL	0,95	0,33	0,95	0,29	1,91	0,56	0,89	0,20
NO.	1973	677	333	104	2175	652	1868	324

EXCHANGE CONTROL

Back to red tape

Far from moving towards more simplified and more lenient exchange control procedures, the Reserve Bank has managed to complicate foreign exchange dealings further. The banks are going to have to foot the bill and the public will be highly inconvenienced.

[illegible]

He adds that the extra cost is unlikely to be borne in the foreign exchange department where operating margins are already very tight, but rather in exchange control department budgets.

[illegible]

over the telephone and send in the Form E later.

[illegible]

Financial Mail Editor

Metropolitan merger project has paid off

58

BY VERA [illegible]

MAIDEN figures show that the Metropolitan Homes Trust Life (Metropolitan) merger last May of four assurance companies (Metlife, Homes Trust Life and two Homes Trust Life subsidiaries, Saffas and Dove), has paid oft.

On merging, the new company showed assets of R243-million and became the eighth largest life assurance company in South Africa, under Sanlam

The merger consolidated to Sanlam's outside assurance interests into a major new assurance group — now with a staff of 3 000 manning 81 branches.

Assets have now increased by R48 million to R291-million, with a total (premium plus investment) income for the year to end September, 1979, of R88-million — an increase from R75-million.

Some 70% (R61-million) of the income derives from ordinary life business, which is projected to rise to R100-million in 1982

Annual premium income of R64-million shows a 17% (R9-million) increase on the sum of the pre-merger incomes of the four companies.

Investment income has risen from R21-million to R24-million, and payments to policyholders from R19-million to R22 million

A 20% increase in new business produced in the first quarter of the new year indicates that Metropolitan is achieving even better results in the current financial year from October 1, 1979

Although Metropolitan is very strong in the black market, there are no special assurance conditions or premium loadings, says managing director, Johann Sohnge, a former general manager of Sanlam

"We were the first company to stop special assurance conditions and premium loadings for blacks," says executive director, David Bloomberg

Active

Metropolitan, through the old Homes Trust Life, has been active in the black market since the turn of the century

Traditionally, its target markets have been the middle and lower income groups, and especially the blue-collar worker

The company has increased its involvement in the black market and a large volume of its premium is now derived from this sector

In keeping with general trends in the assurance industry, the black market shows important growth and Metropolitan is to continue pushing into this area

Ten of the 81 branches are in black areas. BophuthaTswana (4), KwaZulu (2), Transkei (2) and Lesotho (2). In SA Metropolitan is most active in the Transvaal, Natal and Western Cape.

"Blacks manage 32 branches. Of a field force of 1 300 some 1 000 are blacks. There are 160 black sales managers, and three of the eight marketing managers are also black."

About 30% of the company's income derives from so called debit business (home-collection), such as funeral (25%) and industrial (5%)

(Funeral assurance assures a funeral. Industrial provides cash on death.)

Metropolitan dominates the funeral assurance market in SA and controls the largest number of funeral services

The majority of funeral policies are sold to blacks, who account for 78% of all MHT new funeral business sold in 1979

Of all new funeral assurance sold to Blacks in SA during 1979, Metropolitan claimed 80.6% of the market, which accounts for R4,8-million.

Industrial assurance, which in its early days was aimed at the lowest income group, is expected soon to be combined with funeral assurance into a new class of business to be called Home Service Business

Metropolitan derived R14-million, or 22% of its premium income, from 280 group schemes in the most recent financial year, with more than half aimed at black groups

"We also market group funeral schemes among black trade unions and employee associations," says Mr Bloomberg

Among the existing schemes are those administered for the Staatsdiensliga, the SAR & H Coloured Staff Association and the Engineering Industrial Workers' Union

A scheme is being developed for SA Nursing Association, says Mr Bloomberg.

Comprehensive group assurance schemes, also aimed at the black market give additional life cover and a provident fund

Industries

Pension schemes normally cover all the employees of a particular company, especially in industries where the majority of employees are black.

Group credit life schemes cover debts incurred through hire purchase, which is much favoured by blacks

Group schemes are showing major growth, and the trend is following the pattern in the US, where within a decade group schemes jumped from 10% to 80% of new business written

In 1979 Metropolitan group schemes' new business doubled to R1,6-million from R800 000 in 1978

Times, February 10, 1980

Barclays sets up industry division

10/2/80 (58) S Times (Business)

By STEPHEN ORPEN

COINCIDING with the achievement of R1 000-million's worth of financing for clients and major new leverage leasing contracts worth more than R150-million, a major source of profits for Barclays Bank, the factoring and leasing division, is being re-constituted into what will in future be known as Barclays Industrial Finance Division.

Divisional general manager, Peter Springett, says the new arrangement has been developed to provide a vehicle "more in keeping with the myriad services the division renders".

These include the packaging of financial deals for overseas and domestic companies, corporate project financing, and general loan financing of various maturities besides factoring, leasing, suspensive sales, Barclays Auto Card and business advisory services.

A lease contract worth R90-million was signed recently and another, worth R128-million, is near to finality "for a large public company", according to Springett.

Other banking sources say a still larger contract, worth some R138-million, is thought to be under negotiation.

The other parties concerned have not been named but the Atlantis Diesel Engine plant is thought to be involved.

Some 18 months ago the leasing and factoring division had financed some R200-million's worth of assets and showed a bad debt total of a mere R813.

The same total still applies, says Springett, and profit has grown threefold from R5,15-million in 1976 to around R15-million.

The fact that Barclays National escaped tax in its latest financial year can presumably be attributed largely to the initial and investment allowances enjoyed by the leverage leasing operations.

differences usually follow on from divergences that are present in the ultimate objectives and interests of group members. Being intentional, they will affect not only the communication process, but also the process of evaluation of a situation and the strategies adopted by people within the group situation.

This latter problem is in a different category from the two issues discussed earlier since it opens up the possibility that the interest groups, who succeed in successfully dominating a group and in determining the course of action that it follows, may be very different from the dominant interest groups in the wider community. It has even been argued that bureaucracies develop their own dynamic and that consequently decisions taken in the public sector are more likely to reflect the preferences of the bureaucrats, than those of society as a whole or even those of the electorate.[15]

In the health field, medical personnel have been singled out as being frequently guilty of pushing through their own preferences by failing to provide the lay members of the bureaucratic decision group with sufficient information. As a result of this process, modern, highly technical hospitals, that satisfy the egos and the research requirements of a particular section of the medical fraternity, may be built when

sector health alone, the diseases treated in private hospitals may also reflect the doctor's preferences regarding the mix of the cases treated, rather than the incidence of the diseases in the community as a whole.[19]

THE PROBLEMS - AN OVERVIEW

In summary, the problems that have been discussed in this paper stem from three sources:

1. The shortcomings of the market mechanism.

2. The existence of competing and conflicting objectives in the community's overall goals and the difficulties involved in establishing such goals with any degree of accuracy.

3. Difficulties involved with the collection, evaluation and communication of data relevant to the objectives and to the performance of the projects designed to achieve them.

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Home loans by building societies rise 73 pc

STAR 11/2/80

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By Frank Jeans

South African building societies lent a total R864,8m for bonds during the October-December quarter of last year — a 73,1 percent rise on the R499,5m for the same period in 1978.

And while the societies are still flush with funds, with their inflow for the quarter doubling, the Newsletter of the Association of Building Societies gives a stern warning on "gross overpricing" in the homes' market.

The association also emphasises that societies will continue to value properties on a conservative basis to ensure that mortgages are adequately secured and at the same time "protect the bu 'g public from purchasing at inflated prices."

Says the Newsletter: "Potential purchasers are being urged to buy now 'before it is too late,' and at the same time there is alleged to be a shortage of houses as prospective sellers withdraw, hoping for higher prices in a few months.

"It is accepted that the prices of existing homes will undoubtedy continue to rise, in line with predicted increase in the cost of new homes, but it is misleading to talk of a 'panic situation.'"

Indeed, the association points out that there have been welcome signs of consumer resistance where properties are overpriced.

Another welcome trend in the latest figures is the amount of personal income being earmarked for savings—up 284,9 percent from R42,5m to R163,6m.

of resources from the social viewpoint.[20]

Overcoming Difficulties Resulting from Conflicting Objectives and Interests

The growing literature on the economic theory of club formation suggests that the decentralisation of decision-making, to the point where there is a reasonable consensus on objectives within the decentralised area, would do a great deal to overcome the problems that arise as a result of the presence of conflicting interests.[21] An alternative proposal that has been made is that of the possibility of the introduction of a

FINANCE

Building society savings rate doubles

12/2/80 Argus

58

SOUTH AFRICANS deposited R395,9-million with building societies in the December quarter, double the amount deposited a year earlier, the Association of Building Societies reports.

In the September quarter, the societies received R446,2-million and in the June quarter R277,3-million.

The September inflow was inflated by the addition of accrued interest to investors' deposits.

The December increase brought total funds invested in building societies to R9 480-million.

The Association said there has been a change in the performance of the various investment counters.

Savings deposits increased considerably by R163,6-million, due in part to the early repayment of the 1977 loan levy and generally high liquidity in the economy.

Fixed deposits, however, had a net outflow of R14,0-million, due probably to reductions in the interest rate.

The association warns the societies could have less money for investment later this year.

But this increased the attractiveness of the indefinite period paid-up share which drew in R238,0-million in the quarter.

The association says the exceptional gold price rise will help keep overall liquidity at a high level, but with the economy in an upward phase and double-digit inflation continuing, there could be a swing to spending and not to saving for prosperity, possibly leading to a reduction in the inflow of funds to building societies.

Property prices continue to rise and greater demands are likely to be made on the societies' resources for black housing. Thus the movement's present ability to meet loan demands may diminish in the second half of the year, the association said.

Hansard & Quest Col 42

12/2/80

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Bonus bonds

148 Mr H H SCHWARZ asked the Minister of Finance

What was the total value of bonus bonds (a) bought and (b) redeemed up to 31 December 1979?

The MINISTER OF FINANCE:

(a) R212 451 630

(b) R14 268 200

00 (58) 14/2/80

Widow's claim to be sold

EAST LONDON — An unemployed widow's damages claim for R24 187 is to be sold by an insurance company in an effort to recover R504,25 in legal costs.

The claim arose following an accident in which Mr Zolile Mba was killed in a car accident near Viedgesville in Transkei on December 1 1973.

His wife, Mrs Virginia Mba, an Mdantsane mother of four, claimed R15 187 for loss of support for herself and R9 000 for loss of support for her three minor children.

The Southern Insurance Company claimed in defence that Mrs Mba could not claim benefit for the loss of her husband's income as a pirate taxi driver.

Her lawyers noted an exception to the defence but the Supreme Court in Transkei last year upheld the company's plea on the grounds that Mr Mba's income as a pirate taxi driver was derived from an illegal source.

Mr Justice Rose-Innes ordered Mrs Mba to pay the company R504,25 in legal costs.

The company has now issued a writ against Mrs Mba, attaching her claim in order to cover the costs. The claim will be sold by public auction.

Mrs Mba's claim for the loss of the portion of her husband's income not earned as a pirate taxi driver was to have been heard next month, but unless she can find R504,25 before this time the effect of the writ is that her claim will be effectively disbarred.

An official of the insurance company referred inquiries on the matter to attorneys in Umtata.

MRS MBA

Mr T Berrange, of the firm of attorneys handling the matter for the insurance company, would not comment.

"You can do anything — even jump into the sea but you won't get a statement from me," he said.

He gave the reason for his reaction as having been misquoted before.

When Mrs Mba was told about the move she said she did not know how she could raise the money.

"I am unemployed — since 1977 — and I depend on my bus driver son for support," she said.

"Where they think I can raise so much money from I do not know."

At one stage she said she believed the matter had been dropped because she had waited so long after the first hearing.

When she heard it was going to be heard her hopes were raised but the move by the insurance company was the worst she had heard since her husband's death, she said. — DDR

TABLE I

MORTALITY RATES FOR THE 17 MAJOR DIVISIONS OF THE ICD (8th REVISION)

(Note: There are no tables for divisions V, XI, XII, XIII because of the small numbers in each of these categories).

I INFECTIVE AND PARASITIC DISEASES

	W		A		C		B	
	M	F	M	F	M	F	M	F
0-1	1,99	2,2	9,81	6,60	55,55	51,04	29,36	27,05
1-4	0,16	0,13	0,76	0,79	8,27	7,48	3,56	3,42
5-24	0,02	0,02	0,07	0,08	0,21	0,21	0,20	0,22
25-44	0,06	0,03	0,17	0,20	1,14	0,78	0,36	0,45
45-64	0,25	0,13	0,75	0,45	3,30	1,37	2,15	1,27
65+	1,04	0,72	1,61	1,98	5,48	2,78	5,45	2,93
ALL	0,19	0,15	0,56	0,45	3,33	2,69	1,66	1,61
NO.	399	315	198	159	3792	3146	3472	2593

(56) FM 15/2/80

BANKORP

Holding back

Shareholders may or may not be pleased with Bankorp's high retentions, which resulted in a small 0,5c interim dividend increase to 6,5c despite a 66,0% rise in taxed profit to R9,4m (R5,7m) in the six months to end-December. Banking operations increased their contributions after contingency provisions to R9,1m (R5,8m), while non-banking operations weighed in with a R275 000 profit (R172 000 loss).

After providing for R1,8m (R1,4m) pref dividends, earnings increased 79,0% to 24,7c (13,8c). In the second half, pref dividends will absorb more as the interest on the new 15,6m 9,6% R1 cum convertible prefs has accrued since September 28 1979.

Reasoning behind the high dividend cover is clear. The directors explain that the group's banks will probably be required to finance capital commitments from own resources, resulting in further transfers to published reserves as happened with Trust Bank. The directors expect the taxed profit actually attributable to Bankorp will be reduced to R5,3m. And this, they say, is the reason for the high retentions.

The Trust factor

Bankorp's only quoted bank, Trust Bank, increased its declared interim taxed profit 61,9% to R5,2m (R3,2m). However, due to a R1,8m (R2,8m) pref dividend payment and a R3,4m (350 000) transfer to disclosed reserves, only R31 000 was consolidated in Bankorp's results. As Trust Bank's heavy involvement in property continues to have a negative effect on profit growth, Bankorp expects it to continue to increase transfers to contingency reserves This means that Trust Bank will not contribute to Bankorp's growth for some time. Certainly there is little chance of a dividend accruing from this source for some years.

With effect from October 1 1979, Rand Bank became a Bankorp subsidiary, but the directors point out that it did not make a significant contribution to first-half results.

Although profits from banking subsidiaries are likely to increase in the second half, capital requirements will probably continue to rise, necessitating increased transfers to reserves. So Bankorp's share in this growth is likely to be limited and a substantial earnings growth is unlikely.

Dividend cover is likely to remain high in the second half, so it is probably safest to expect no more than an 11c final. At 275c the share yields a prospective 6,4% yield, well above the 5,6% bank sector average.

The share's yield could, however, move into line once Trust Bank starts making a positive contribution.

Peter Pittendrigh

Hansard 2 Ques Col. 89/90
15/2/80

Corporation for Economic Development

*10. Mr. N. B. WOOD asked the Minister of Co-operation and Development:

(1) Whether the Corporation for Economic Development was permitted to be the main shareholder in an insurance company [the name of which has at Mr. Wood's request been supplied to the Minister's Department for the purposes of his reply];

(2) whether the services offered by the company could not be obtained from private enterprise; if not, why not;

(3) whether consideration was given to the effect which the new company will have on the business of existing companies; if not, why not; if so, why was the company formed?

†The DEPUTY MINISTER OF DEVELOPMENT:

(1) Yes

(2) Yes

(3) Yes. Need existed for a Black orientated company and the effect which the new company will have on the business of existing companies is expected to be negligible in financial terms in the initial stages.

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Hansard 2 Ques Col 99
15/2/80

Registered companies

237. Mr. T. ARONSON asked the Minister of Statistics:

What was (a) the total number of companies registered in the Republic in 1979 and (b) the authorized nominal capital of such companies?

The MINISTER OF STATISTICS

(a) 7 440

(b) R153 157 362

58

BARCLAYS NATIONAL (58) FM 15/2/80

Solid growth

In line with solidly improved results from its competitors, Barclays has reported a taxed profit advance to R62,6m for the 15 months to December 31 1979. On an annualised basis, that is equivalent to a 36,1% advance on the R36,8m earned in the year to September 30 1978.

Sound though the profit advance appears, it is rendered more impressive by the fact that local cash-flush companies are increasingly turning to their own resources for funding operations. Over the period, Barclays increased its excess capital in relation to Banks Act requirements from R23,6m to R39,7m. In effect, that means the bank is theoretically capable of lending some R400m more than it had advanced to borrowers at the year end.

While commercial banking operations have been subject to the full blast of competition, Barclays has channelled increased lending through hire purchase and leasing arm Wesbank. During the period, Wesbank increased its pre-tax profit contribution to R20,3m from R12,7m in the preceding 12 months. The merchant banking operation contributed R7,2m at the pre-tax level (12 months to September 30 1979: R3,0m) while the commercial banking operation turned in a pre-tax profit of R67,3m compared with R51m in the preceding 12 months. In total, consolidated pre-tax profit advanced to R96,9m from the previous year's R60,2m.

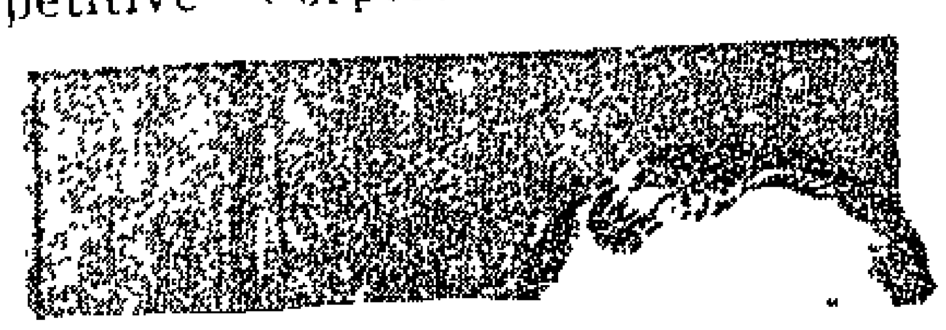
According to MD Bob Aldworth, commercial bank lending remains highly competitive. Corporate borrowers funding large capital projects are tending to provide front-end financing themselves and then draw down bank loans over a relatively protracted period. Thus, SA's growing capital spending boom is not immediately impacting fully on banking profits.

It has been suggested that the country's increasing liquidity could be channelled into bank lending to overseas customers. But Aldworth feels the scope for this is limited because the rand's strength against other currencies means that foreign borrowers are disinclined to take up rand denominated debt.

As things stand, Barclays International, which currently has a 60,4% stake in the operation, is required by the Banks Act to reduce its interest to 50% by July 31 1986. This could be accomplished through rights issues by Barclays National which were not followed by Barclays International. But, with capital in excess of Banks Act requirements, there is little incentive for the SA operation to raise further funds. Most likely, in my view, is that existing requirements on foreign control of local banks will be relaxed ahead of deadline, even though the overseas controlling interests may marginally reduce current holdings. However, it does mean less risk of a tap in the shares restraining prices.

Despite some of Aldworth's reservations on near-term corporate debt demand and limitations on lending to foreign borrowers, Barclays is set for a further solid profit advance this year. From earnings of 117,6c (69,1c) during the 15 months, dividends totalling 50c (30c) have been declared. This year, it is probably safe to assume a payout at least matching the last period's amount. At 800c, the share yields a prospective 6,3% and is hardly expensive on a two- to three-year view.

Tim Jones



SAM·STEELE (53) (2257)

Dull record FM 15/2/80

Activities: *Investment and finance company with subsidiaries active in the manufacture and retailing of furniture. Owns 100% of Steel & Barnett. Directors hold 14,2% of the equity.*
Chairman: *E J G Roy; managing director, B M Goldberg.*
Capital structure: *10,9m ordinaries of 50c. Market capitalisation: R5,8m.*
Financial: *Year to August 31 1979. Borrowings, long- and medium-term, nil; net, short-term, R6,0m. Debt: equity ratio: 69,2% Current ratio: 1,7 Net cash flow: R359 000.*
Share market: *Price: 53c (1979-80: high, 60c, low, 31c, trading volume last quarter, 1,2m shares). Yields: 11,9% on earnings, 7,5% on dividend. Cover: 1,6 PE ratio: 8,4.*

Financial Mail February 15 1980

	'76	'77	'78	'79
Return on cap %	11,7	11,6	10,7	11,1
Turnover (Rm)	24,7	17,9	20,6	20,9
Pre-tax profit (R'000)	1 125	1 164	1 120	1 224
Gross margin %	4,6	6,5	8,2	8,9
Earnings (c)	4,6	5,2	5,8	6,3
Dividends (c)	3,5	3,5	3,5	4,0
Net asset value (c)	64	73	75	78

In real terms, shareholders in Samstel have been losing ground for the past five years. Last year was no exception, and this, given the general economic revival and higher black spending, was disappointing. Turnover advanced a marginal 2% to R20,9m, although slightly higher margins enabled earnings to be lifted by 8,6% to 6,3c (5,8c).

But, while gross profit rose by 10%, short-term debt increased by 20% to R6,1m. Consequently, interest paid was R65 000 higher at R636 000. This represents 34% of gross profit while total debt stands at 69,2% of equity.

Out of the higher earnings shareholders got the first dividend increase in five years, with the total rising from 3,5c to a 1,6-times covered 4c. So Samstel could not have been more generous. The real problem is that the furniture trade needs still more buyers — and higher margins.

In this context it is interesting to note that the services of MD Monty Goldberg and directors Norman Steele and D E Mathie are now deemed vital enough to warrant a R300 000 restraint of trade agreement. Methinks that it would hardly be worth their while to set up shop elsewhere and produce similar results.

Unless, of course, great things are expected this year. However, chairman Edward Roy says little besides that turnover has risen satisfactorily in the first four months and that profitability is improving.

In assessing where the group's prospects lie, which is basically Steel & Barnett, it is interesting to note that 79% (78%) of group income after tax stems from retailing, and only 14% from manufacturing. Perhaps a more aggressive attitude to store management and development could have led to a happier earnings record. Nevertheless, furniture has been tipped by several analysts as the sector to watch. With a historic yield of 7,5% the share is one of the cheaper entries around and is readily marketable.

John White

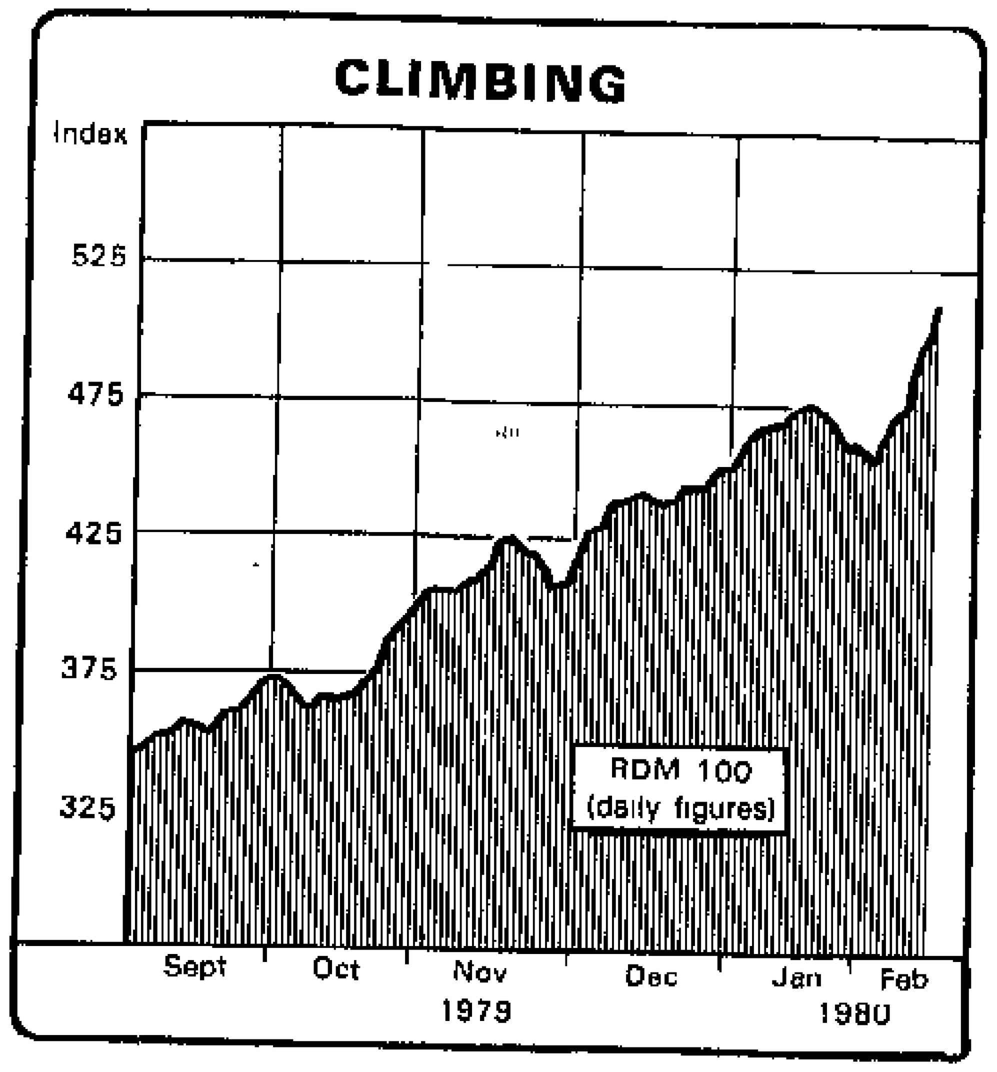
Trading on Friday was quieter, but golds continued firmer. Attention began focusing on the "mystery buyer" of Cons Gold, and some brokers attribute the recent rise in the FR partly to this buying.

Gold shares peaked on Monday when the JSE index touched 518,9 as small investors pushed lighter priced issues up to new highs. These included Vlaks which hit an all-time peak of 400c and Sallies which touched 1 170c. Only two years ago Sallies was below 100c.

Bullion fixed at a high for the week of $714,50 on Monday morning before slipping back below $700. And despite the announcement of a R715m new mine by Western Deep, the gold board was sluggish for the rest of the week. Small foreign selling combined with some nervous trading by small investors pulled prices lower.

But late on Wednesday afternoon, as the FR eased, orders from London and local interest pulled golds off the bottom. Brokers think this week could see a fairly quiet gold market, but most appeared convinced that the top had not yet been reached. One of the shares many are using as a barometer, Loraine, has "plenty left" according to one trader. He reckons there might be more than 10% left before any severe reaction sets in. Nevertheless, it is a market for professionals or those with quick reactions.

The Cons Gold saga was the feature of the past week, and since the beginning of the month the share has put on 175c to 1 125c in Johannesburg. Once Anglo/De Beers revealed their hand, investors started chasing most group companies. Anglo itself rose 100c on the week to 1 450c, De



Beers 125c to 1 175c and Anamint rose to 12 000c from 10 750c. On Tuesday GFSA put on 700c to 8 400c, but closed at 8 150c.

Also in mining houses, JCI added 200c to 7 400 on its increased interim earnings of 423c (224c) and a doubled interim dividend of 100c. Income from the group's predominantly mining portfolio increased 66,2% to R23,6m.

Platinum shares were firmer on the week as free market metal remained above $900. Impala gained 60c to 680c, while Rustenburg was 5c firmer at 630c.

However the outlook may not be as bright as current yields suggest. On Wednesday, Rustenburg chairman Sir Albert Robinson told an investment seminar that industrial demand could fall this year if recessionary trends in the US and other countries are confirmed. He said the US motor industry's demand for the metal could decrease this year because of the popularity of smaller vehicles. Longer-term, tougher emission controls should increase the industry's requirements.

This week coal-based Rand London announced a 95,1% improvement in taxed profit for the six months to end-December, giving earnings of 19c (16c) a share on the increased capital. No breakdown is given of the contribution from the coal interests which are to be listed separately as Rand London Coal. However, coal mining operations must have contributed something like 85-90% of interim earnings. For the year to end-June MD Bernard Holtshousen forecasts 41c (33c) earnings, despite the hiving off of 22% of the equity in RLC.

Industrials continued strongly last week with a batch of good company results and special situations to help the market along.

Des Kilalea

foreign bourses

DIAGONAL STREET 38

Keeping up steam

FM 15/2/80

Boosted by the continually rising London sugar price, and despite news that Coca Cola may resort to corn syrup in the US, sugar shares rose sharply last week. The raw sugar price reached £262/t on Tuesday. Huletts traded up 275c to 900c … Crookes 145c to 800c.

Some brokers are convinced that B… lows is about to make a bid for Hule… There appears to be something afoot ju… ing by the heavy trading. On Tuesda… close to 278 000 shares changed hands a… nearly 100 000 were traded on Wednesda… Just how speculative the sugar market h… become of late is emphasised by the fa… that at one time during the week, ra… sugar was quoted at £260/t, the same a… for more highly processed white. No rea… sonable explanation for the momentar… aberration has yet to surface.

The guessing game continues as to whe… the gold market will crack. Just over … month ago many brokers, chartists and analysts were not prepared to give the gold board more than three weeks life. But the past week again saw strong gold share gains with some shares hitting new peaks suggesting, despite the minor reaction on Tuesday and Wednesday, that there is still steam left in the market.

Gold shares started the week strongly. On Thursday, the JSE Actuaries gold index put on five points to 512 as bullion was fixed at $704 in the morning and $699,25 in the afternoon. The previous day, bullion rose strongly ahead of the IMF gold auction, which realised an average price of $712,12 with bids totalling 1,9m oz for the 440 000 oz on offer. This compared with the previous record auction price of $562,85. Bids at last week's auction ranged between $711,99 and $718,01.

Features of last Thursday's trading were Marievale, Simmers, Sallies, Vlaks and Buffels. Marievale put on 45c to 395c thereby recording the largest percentage move on the gold board, while the others hit new highs. Another recent favourite, which has been tipped to hit 1 000c on rising US interest, Loraine, advanced 10c to 745c.

Brokers said buying orders at the beginning of the week came from abroad despite the high financial rand rate. The FR was US107c last Thursday, before buying pressure forced it up to US108c on Friday.

signposts

	Current	Week ago	Month ago	Year ago
RDM 100	**514,3**	**478,5**	**475,9**	**309,3**
% change on	—	7,5	8 1	66,3
P/E ratio	6 9	6 6	6,6	5,5
Div yield	5,3	5,5	5,5	7,0
UK FT Ind	**469,3**	**447,8**	**441,7**	**455,4**
% change on	—	4 8	6 2	3,1
P/E ratio	7,1	6,8	6,7	8,0
Div yield	7,0	7,3	7,4	6,2
US Dow Jones	**899,0**	**876,6**	**868,6**	**830,2**
% change on	—	2,6	3,5	8,3
P/E ratio★	8 4	8,3	8,0	8,8
Div yield★	4 8	4 9	5,1	4,5
Gold price (in US $ on London)	**697,5**	**685,5**	**687,5**	**241,4**
% change on	—	1,8	1,5	188,9
Krugerrand (Rand)				
Public selling price	**656,8**	**630,0**	**643,3**	**242,5**
% change on	—	4,3	2,1	170,8

★Standard & Poor index

Public buying price is 10% below, subject to negotiation

FINANCIAL RAND (58)

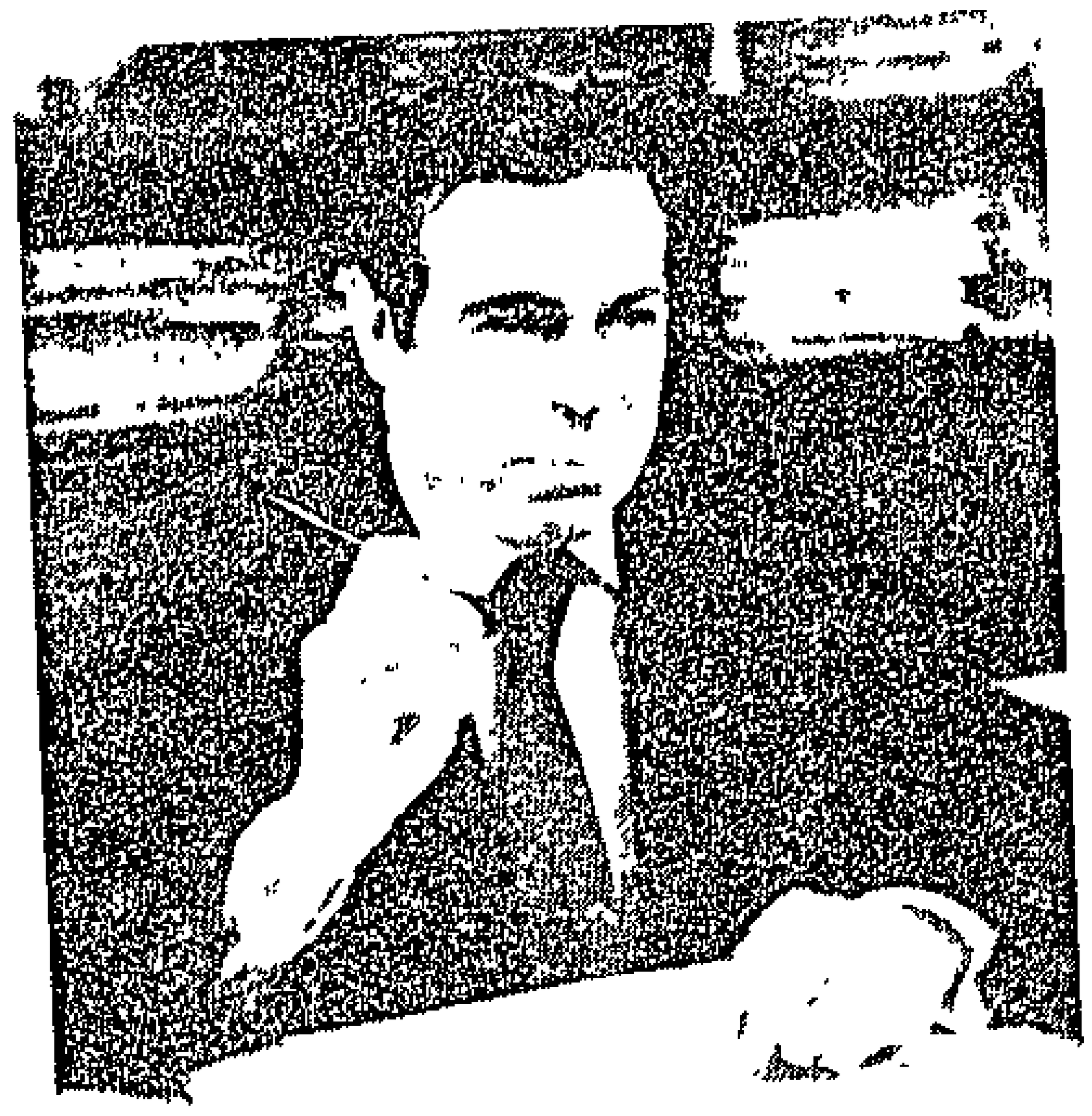
Over R500m used

FM 15/2/80

The Reserve Bank has analysed the 600-odd applications received by Exchange Control in the past year from non residents for permission to use Financial Rand for investments outside the JSE

Dr Chris Stals deputy governor, gave the breakdown to the Simpson, Frankel investment conference in Johannesburg

The applications, in the first year in which the FR has been able to be used for non-JSE investment, totalled R612m Ap-



Reserve Bank's Stals . . . spelling out FRs

plications for R104m, mostly for the introduction into SA of loan funds, were rejected

Of the R508m approved, R335m was for investment in manufacturing, R64m for investment in mining, R45m for investment in property, and R64m for miscellaneous investment.

The R45m in property breaks down as to R9m in the residential sector (blocks of flats and private houses being bought by non-residents), R17m in the farming sector (largely game farms) and R19m in commercial and industrial property

With the FR having appreciated by no less than 65% during the past year (from US64c to 105c) while the Commercial Rand has appreciated 6.5% from $1.15 to $1.225, it would not be surprising if the volume of applications slackens off in 1980

(58) FM 12/12/80

PROPERTY SHARES

No bargain basement investme

Have exaggerated short-term property expectations resulted in major property shares becoming overpriced? In the past year Amaprop has been traded up 117% to 63c, Unidev 157% to 270c, Sorec 112% to 180c and Retco 77% to 69c. In the same period, the JSE Actuaries Industrial Index has risen 98,7% to 610,1.

Two factors sparked the boom. Firstly, about a year ago, major property companies held significant areas of vacant shop and office space — calculated by some to be as high as 300 000m². As most buildings were already paying their way with only a fraction of their space let, any extra leases were cream. A second consideration was that interest rates were declining, meaning any decrease in the cost of debt would impact beneficially on the earnings of highly geared property companies.

Understandably, investors were keen to enter the market at the ground floor when it became evident that demand for accommodation could take off. This, many believe, will accelerate as SA's gold-based liquidity soars.

Some property pundits estimate that there is still substantial office space vacant in Johannesburg, but they also believe this slack could be fully taken up within two years. Others, such as Amaprop's Nigel Mandy, consider the amount of lettable space to be modest. "I think it is all taken up now," says Mandy, adding: "We are already experiencing difficulty in finding accommodation for major clients who are looking for an entire floor." Amaprop has no more than 10 000 m² left, mostly in Life Centre and a few older buildings. "These are in pockets mostly, and only suitable for smaller clients," he says.

Another attraction is that rentals are already on the way up. Prime accommodation is fetching R7/m² in the Johannesburg CBD, and in outlying areas, such as Sandton and Bedfordview, even higher rents are in force. According to Retco's Jimmy Ward, this does not necessarily mean that demand for office accommodation is significantly higher. "Tenants are actually playing musical chairs," he says. "They are moving from old buildings, which in many cases are becoming empty, into luxury accommodation at higher rates."

Further, large parent companies are helping this tendency by moving subsidiaries into their most expensive and modern buildings when leases on other space expire. A case in point is Sanlam, which has moved Senbank and other subsidiaries into its new office block in Johannesburg.

The position in the PWV triangle is far

Jimmy Ward . . . tenants' market

better than in other major cent... there is still a considerably la... hang of vacant space. However, ... that by 1982 at the latest, no sp... available at R10/m², and acc... some experts, prime rates will be up at around R15/m².

Tending to confirm this opini... chairman Donald Morgan point... the position will worsen for ... almost no new developments ... place now, and current renta... artificially low levels. As Mo... "Real rentals have not been cha... inflation was eroding the rand ... digit rates and building costs escalating at 16% annually."

Mandy believes the bright p... vestor should be developing o... scale now and Amaprop is doin... "We are erecting small u...

10 000m² to 20 000m² of lettable

On this scenario and conside... prices investors cannot be b... becoming enthusiastic about ... There can be little argument ... bright longer-term outlook. Bu... not be translated into higher pr... short term.

Although rents are moving ... believes that we are still in ... market, where anybody askin... than 500m² will be able to r... considerable discount and obt... at around R4/m² or R5 m².

For this reason, Retco refus... more than three year leases an... encouraging tenants to take up ... shorter periods. On the other h... prop believes that rents are ... realistic levels and is happy to ... year leases.

A stumbling block to earning... that, in general, rents follow ... cycle before they are renegotia... ed, they do not all expire a... there is constant renewal at hi...

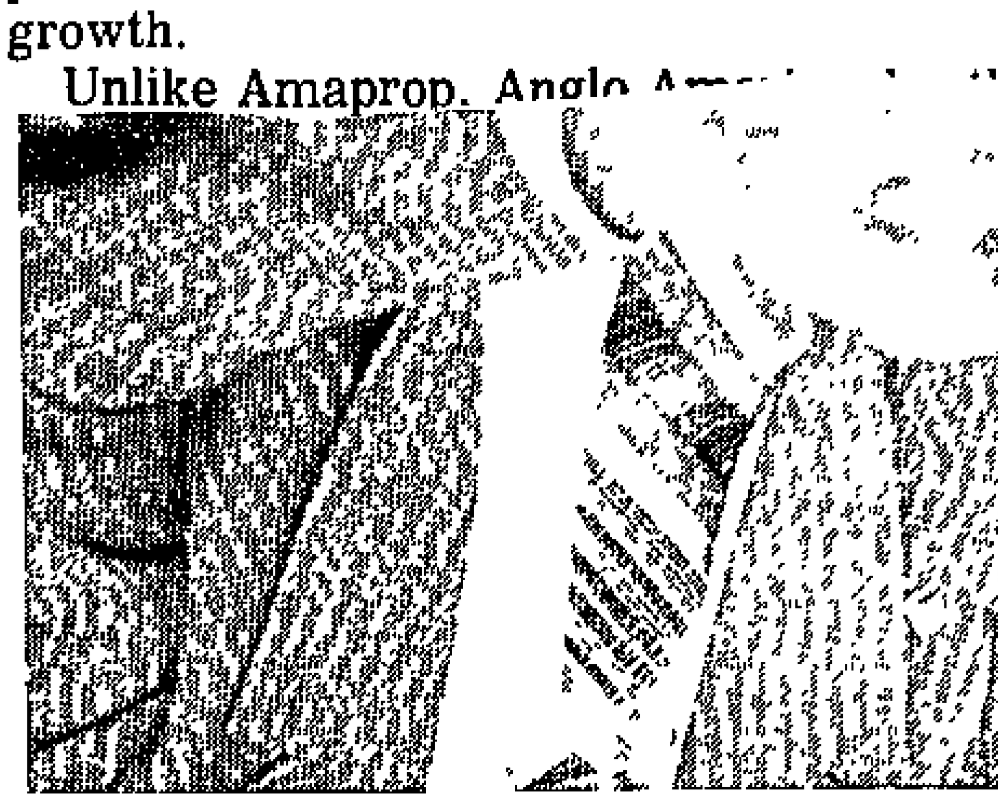
in the current market. But even Mandy, with his bullish outlook, concedes that rents have been unrealistic and that they are only now starting to look attractive.

However, he points out "increased demand for office space has an almost immediate effect on profits when buildings are already paying their way with a high percentage of vacant lettable space." Under these circumstances, only about 25% of rental revenue accruing from new tenants goes towards costs; the rest is profit.

For Amaprop, with less than 5% of its ...

prop's residential townships and this depends on buoyant conditions in the stand market. These have not yet emerged. However, with house prices soaring, this market could improve this year. But even if profits are turned around next year, Amaprop will still face an arrears pref dividend bill of over R7,0m. Add the prospect of no ordinaries dividend for some years to Amaprop's negative gearing, and it is clear that the share's current price, 63c discounts considerable future growth.

Unlike Amaprop, Anglo A...



investment for the bottom drawer. If forecasts of rental growth are correct, Retco could soon increase its rental income substantially. Even though the company was strapped for cash in the first half necessitating an increase in its borrowings, net income is at least 50% higher than the R4,6m interest bill. Its 40% interest in Longtill should not affect its cash flow significantly as, according to Ward, Longtill ostensibly has R1,0m more in assets than liabilities.

Coupled with its ability to show profits, ...

says: "Government has been requested that before any more amendments to labour legislation be made the Confederation be given the time and opportunity of making representation in writing. Should government not consult on future major decisions, the Confederation will consider taking more drastic steps."

Government has already said it will listen. At the opening of the MWU's general council, Minister of Mines, Frederik de ...

asserts ...

Nonetheless, the strike, lost by the MWU last year, must still be fresh in the minds of miners. They received a slap in the face from government — something the MWU is unlikely to go looking for again. And Paulus still appears to be in favour of consultation rather than confrontation. "We don't know what the future holds for us. But we have written to government and are waiting for a letter from the Minister (of Mines)," he says.

In addition, many Confederation affiliates ...

SENTRUST

FM 15/2/80

Still active

In the six months to end-December, Sentrust maintained its normal policy of active portfolio management, turning in investment income of R5,5m (R3,7m) and a share dealing profit of R3,5m (R1,2m). On 45,5% higher earnings of 29,8c (20,5c), before dealing profit, an 18c (14c) interim dividend was declared. The second six months should also be good. At end-December Sentrust had 48,8% (end-June 42,7%) of its portfolio in golds where solidly better dividends are in prospect as long as bullion remains above the $400 plus range effective in the December quarter.

The R3,5m share dealing profit for the review period bettered the R3,4m earned in the year to end-June 1979 A repeat of this level of transaction profits may not be possible in the second half, especially if fewer portfolio changes are planned following the swap of Lydenburg with the Old Mutual.

Portfolio changes included switching in gold shares. Those sold were Af Lease, Deelkraal, Doornfontein, East Drie, Elands, West Drie and Winkelhaak, while Elsburg, Harmony, Western Areas and Welkom were bought and had a market value of R3m at end-December

In mining financials, Sentrust sold its holdings in JCI and Mid Wits. It also disposed of its indirect holding in Union Corporation when Genmin exercised an option to take the unlisted Monoceros Investments from Sentrust in return for a parcel of listed shares. No dealing profit resulted from this.

In coals, the major change was the addition of 63 400 Amcoal worth R1,6m at end-December. During the six months, Sentrust sold its Rustenburg shares and cut down its holding in Lydenburg. Since December a further 298 000 Lydenburg have been swapped with the Old Mutual for certain listed shares market sources reckon to be Palamin. At end-December Sentrust held 23 000 Palamin shares.

Also sold out were 64 000 De Beers which had already been cut back from 139 000 last year.

In the industrial holdings the major changes were the additions of 475 000 FVB and 2,9m Sasol, as well as buying a further 397 000 Sentrachem shares. Industrial shares represented 21,3% (end-June 15,6%), of the total R166,9m (R89,5m) portfolio at end-December

Des Kilalea

Sentrust's Top Ten

	end-December market value Rm
Southvaal	15,0
Sasol	11,2
Buffels	10,5
Vaal Reefs	10,0
President Steyn	9,2
Fed Mynbou	8,3
Trans-Natal	7,1
Stilfontein	5,8
Randfontein	5,2
President Brand	4,9

CREDIT CARDS (58) FM 15/2/80

Slapping wrists

Those banks charging 18% interest on overdue balances will shortly be forced to cut it to 14%. Registrar of Financial Institutions Wynand Louw has prepared draft legislation to be laid before Parliament "very soon" to do this.

The move will end a long dispute between the banks as well as the authorities

over whether these balances are a form of money lending or not. Standard Bank card division GM Randle Carter insists that they are and has been charging the Limitation and Disclosure of Finance Charges Act's ceiling rate of 14%.

However, Barclaycard — and now Trust Bank in collaboration with Barclaycard — have been levying 18% on all overdue balances, arguing that this additional amount is a penalty charge that does not form part of the definition of money lending.

Lending charges

Barclaycard chief Collin Gregor points out that his bank's lending operations — namely Budget and Barclayflight transactions — still carry 14% or less, as these are obviously money-lending transactions.

Registrar Louw is adamant: "The arguments defining overdue balances as money loans are very strong," he says. "The aim of the Amendment Act will be to provide a more clear-cut definition of finance charges to clear up uncertainty."

He admits that, up to now, credit card lending has been a grey area possibly outside the boundaries of the Limitations Act, but says the Minister is now anxious to have the already-prepared draft legislation before Parliament to clear up the issue.

As part of this move, the Registrar will also stop the banks charging 50c a transaction on cash advances on credit cards, which also carry a 14% interest rate. Gregor objects that cash advances are almost straightforward ledger transactions and as such should be subject to normal ledger fee charges.

So what happens to the already tight profit margins on credit cards as a result of the amendment?

Carter says that the gap between the cards' cost of money and the 14% limit is very narrow and, if interest rates rise — without finance charges being allowed to rise as well — "it won't take much to wipe it out."

Marginal business

Credit cards are, under present restrictive interest rate ceilings, "marginal business," he adds, and are viewed by the banks as a service department rather than as a major contributor to profits. Funding expenses are high, he claims. Up to 40% of clients are "free riders" who are not paying any finance charges by clearing outstanding balances on their card accounts at due date.

In addition, he adds, as much as 30% of Standard's card vouchers are generated by petrol sales on which the normal discount from dealers is not taken in terms of an agreement settled with the motor industry.

Barclaycard's Gregor agrees with Carter that trading conditions are difficult and stresses that only about 7% of his cardholders "break the contract" and allow balances to become overdue, thus attracting the 18% rate.

He points out that, partially as a result of the tight market, card issuers are cutting merchandisers' discounts and are also offering rebates. Gregor says that his average discount is now 3.2%, as against 3.4% about a year ago. Obviously, the entry of the hypermarkets and large chain stores into credit card finance affected the position markedly.

Barclaycard's petrol vouchers constitute less than 20% of the total volume and thus, claims Gregor, is a "100% loss-leader."

But the Registrar is not sympathetic. "If necessary," he says, "credit card banks must rationalise and streamline their activities to fit in with the new scale of charges if they wish to remain profitable."

It seems that Volkskas and Nedbank, who are soon to come into the market on their own, will have a long uphill struggle ahead of them. Santam Bank, on the other hand, as it will be working with Barclays in the same way as Trust, will have an easier entry into the market.

Barclays, of course, will benefit by utilising excess capacity — and thus reducing unit costs — by offering to Trust Bank and Santam Bank the services of Barclaycard.

GENMIN/SENTRACHEM

58

Fuelling growth

FM 15/2/80

General Mining and its associates may be out of the race for Cons Gold (in fact they may never have been in it), but, if gradually emerging plans for exploitation of the group's coal uranium deposits in the Springbok Flats area of the Northern Transvaal come to fruition, the group's growth will be further solidly based on establishment of grassroots projects.

Sentrachem shareholders have approved their board's proposals to participate with General Mining and Trans-Natal in the coalfield's development (*Fox* November 11 1979). They have also approved the sale of 10% interest in their company to General Mining and its associates. And, though few details have been revealed as to likely costs (more than R1 billion is in prospect), with Sentrachem's participation, funding the project will be made that much more easy.

As things stand, preliminary investigations show that production of liquid fuels from coal by the liquefaction process is possible. But that is only at the laboratory scale — the problems of ironing out possible plant scale snags have yet to be met. However, the group is pulling in considerable foreign expertise in the field (and, perhaps, an eventual direct participation), while production could be under way by the mid-Eighties.

Essentially, the project, which could provide a significant proportion of SA's diesel and petrol needs, breaks down into three basic divisions. Mining operations (which are currently owned as to 45% General Mining and 55% Trans-Natal) are planned to produce coal for sale on a cost plus basis. This will be delivered to the carbonaceous project (owned 49% by Sentrachem, 25,5% by General Mining and 25,5% by Trans-Natal) for recovery of liquid fuels. The ash from this is then to be passed to the metallurgical project (equally-owned by General Mining and Trans-Natal) for recovery of uranium and other metal by-products.

At this stage, only preliminary work has been completed on the overall project's viability. But it is a fairly safe bet that initial evaluation has been carried out based on petrol and diesel prices closely related to Sasol's, while uranium has probably been costed in somewhere below the current $40 lb price.

It is highly likely that interests in the project will vary before it comes on stream. Presumably, Sasol will have to rubber stamp any developments before they are passed by government, and it is not an outside chance that Sasol will be offered and accept participation in the venture. In addition, despite political reservations by some foreigners on investment in SA, foreign applications for the recent Sasol issue clearly demonstrate that the attractions of energy stocks outweigh political detractions.

On that basis, do not be surprised if major overseas energy companies seek participation. General Mining is not averse to bringing in significant foreign partners as the Tubatse ferro chrome venture with Union Carbide demonstrates.

As I have said, no details have been announced of likely costs, but the scale of General Mining's likely commitment makes it clear why the group wants to take out the Union Corp minorities, broaden its capital base and pull in funds from its shareholders.

That deal is still subject to considerable debate among brokers and investors. And with the market's present view, once the take-out of minorities is completed, General Mining's shares could come back. It is perhaps unfortunate, therefore, that only preliminary information is available on the liquid fuels project which could have a considerable impact on group earnings within the next five years or so.

Evaluating the project in the context of the Union Corp offer is difficult. Perhaps the best advice to shareholders is to treat developments separately. Respond as you wish to the Union Corp offer but do not ignore General Mining's longer-term growth potential.

In any event, with less than all of Union Corp under its belt, General Mining may be less than enthusiastic about assisting in funding Union Corp's new ventures such as Beatrix if this competes with funds for Northern Transvaal coal developments. Combined, the two groups should have considerably more fund raising muscle than as separate entities.

SA makes big foreign loan repayments

(58) Cape Times 5/2/80

BY PAUL BOLD
Financial Editor

SOUTH AFRICA has made huge repayments of foreign debt in the past year and vastly improving the country's credit rating in world financial markets at a time when many developing countries are having difficulty in servicing their debt requirements.

The deputy governor of the Reserve Bank, Dr C L Stals, disclosed this week that that the major share of the R3 billion capital outflow from South Africa last year was aimed towards repaying foreign liabilities.

The final statistics on South Africa's foreign liabilities as at the end of 1979 are still being collated by the Reserve Bank. But he said "it can be assumed that foreign liabilities in the form of contractual loan commitments and outstanding short-term liabilities, particularly the short-term liabilities, were substantially reduced during the past year."

And with an enviable reputation of repaying its debts South Africa is now being offered capital on the best terms in years.

Dr Stals, who spoke on "Foreign investment in South Africa and the financial rand system" at the Simpson Frankel [illegible] seminar in Johannesburg, this week, disclosed that the Reserve Bank is engaged in a special study on the flow of funds in the financial rand market and as a first step has analysed the more than 600 applications received by Exchange Control during the past year from non-residents wanting to use financial rands for investing outside of the stock exchange.

Applications

He gave the conference a breakdown of the applications which showed that total applications were R619m and the vast bulk was for investment in manufacturing R435m, while mining totalled R64m and a surprisingly high figure of R115m for property investment. The latter was made up of R9m for residential property, R17m for farms and R89m commercial and other. Some R104m of the applications were refused leaving R5[illegible]m approved.

Dr Stals said that those refused were mostly applications for the introduction of loan funds in South Africa which should rather have been transmitted through the commercial rand system.

Exchange control also did not give permission for companies who wanted to use the proceeds of financial rand transactions to repay foreign commitments through normal banking channels at the commercial rate of exchange at the cost of South Africa's foreign exchange reserves.

Dr Stals made an important statement on the question of South African banks granting overdraft facilities to overseas brokers and arbitrageurs. Banks and stock brokers provide bridging finance in financial rand on a temporary basis to overseas dealers to allow them to engage in arbitrage and switching transactions on the Johannesburg Stock Exchange.

The delivery of shares, particularly in deals from London, can take a long time so that payment will have to be made long before payment is actually received. There is not the same problem with New York due to the American deposit receipt system.

[illegible] facilities [illegible] large stock [illegible] to attract the [illegible].

Although the Reserve Bank is sympathetic to the technical problems and [illegible] allowing banks to provide [illegible] for this purpose, [illegible] with the general philosophy [illegible] control [illegible] lending to [illegible] South African [illegible] to grant overdraft facilities to non-residents.

Where such facilities are no longer used for providing bridging finance directly linked to specific and identifiable switching transactions, the Exchange Control has no alternative but to take the necessary action.

After all it is recognised that overdraft facilities on financial rand account are probably among the cheapest in the world with the current cost varying between 6 and 7 percent a year.

And loan account of [illegible] of the turnover in the financial rand market [illegible] can possibly be [illegible] to [illegible] investment in the [illegible] the result that the [illegible] exchange [illegible] market [illegible] the [illegible] conditions in the market.

[illegible] facilities are subject to the normal credit control measures applicable to bank lending to the private sector it should be kept in mind that the allocation of [illegible] for this purpose reduces the amount of bank credit available for the financing of the domestic economic expansion.

Although the authorities are therefore sympathetic to the technical problems that arise from arbitrage and switching transactions between the Johannesburg and foreign stock exchanges they cannot make unlimited amounts of finance available for this purpose.

Dr Stals added that after discussions with overseas stockbrokers and arbitrageurs at the seminar he was optimistic that a solution could be found to the problem.

Dr Stals also referred to the [illegible] situation where the financial rand and the commercial rand could [illegible] the same rate.

He said it was not inconceivable that if the strong demand for investment in South Africa continues that the financial rand rate of exchange [illegible] equal the commercial rate of exchange [illegible] capital [illegible] one exchange rate [illegible].

Rumours have it that once this situation has been reached the financial rand system will be abolished. "This will, of course, be an important policy decision on which I do not want to speculate.

"Should it be regarded as being in the national interest of the country the existing system can be maintained for an indefinite period of time and a scenario in which the financial rand rate of exchange and the commercial rand rate of exchange both continue to exist but coincide holds no anomaly."

New exchange rate policy

THE Minister of Finance Senator Owen Horwood emphasized in his speech at the seminar that it remained the Government's intention in the long run to abolish exchange control over non-residents and to merge the commercial rand and the financial rand into a unitary currency.

He said the new exchange rate system and policy coupled with the accompanying relaxations of exchange control are clearly designed to bring about a more market oriented system and more freedom for both residents and non-residents in exchange transactions with the ultimate objective of encouraging more rapid expansion in the economy.

Building society drops loan rate

Star 20/2/80

58

All major building societies are expected to announce a reduction in lending rates on new mortgage bonds — following the example set by the Natal Building Society today.

The NBS today announced an immediate reduction in its lending rates on new mortgage bonds of 1,5 percent a year.

The new rates, which will not apply to existing bonds, will start at nine percent on loans of up to R10 000 and go to a maximum rate of 11 percent on loans of over R40 000.

MEETING

This step follows a meeting of the Association of Building Societies held in Johannesburg today.

A spokesman for the Association said after the meeting building societies had been plagued by "having too much money and too few borrowers."

Other building societies today indicated they were going to follow the NBS. But nobody was prepared to make a statement in this regard.

A spokesman for the Association of Building Societies said a combined statement would be relased later.

Table 8 continued   Income Distribution by Caste 1936-1970/71

Income per head ratios

	1936	1970/71
W:Af	12.4:1	15.2:1
W:C	6.9:1	7.5:1
W:As	4.7:1	5.7:1
[illegible]	11:1	12.9:1

Sou[illegible]

Th[illegible]

en[illegible]

fc[illegible]

national income. Translated into average per capita [illegible] head was estimated to be one-twelfth or less of average white income. Coloured persons and Indians fell somewhere between the other two groups.

More detailed figures of salaries and wages paid in particular sectors enable us to obtain a slightly fuller picture of the impact of the industrial revolution on both relative and absolute living standards.

Table 9   Earnings in Selected Sectors 1936-1976

A. Gold Mines 1936-1976

Date	White π_w (R/annum)	Black π_b	Wage Ratio $\pi w:\pi b$	Wage Difference $\pi w:\pi b$	Index of Real Earnings (1936=100) White	Black
1936	786	68	11.5:1	718	100	100
1946	1 106	87	12.7:1	1 019	99	92
1956	2 046	132	15.5:1	1 914	119	89
1966	3 216	183	17.6:1	3 033	149	99
1971	4 633	221	20:0:1	4 412	179	99
1976	8 843	1 103	8:0:1	7 740	207	301

Table 9 continued   Earnings in [illegible]

B. Various Sectors 1976

	White	Asi[illegible]
Mining[1]	713	27
Construction	557	29

Source: Bu[illegible]

Notes: 1. Including quarries.

2. Including most sectors save agriculture, domestic service and self-employment.

The real earnings of black gold mine workers in 1972 were estimated to be no higher and possibly slightly lower than they had been two generations previously in 1911. The sharp change over the next four years was due to an extraordinary combination of independent yet mutually reinforcing events, including the increase in the price of gold, widespread industrial strikes centred in Durban, summer 1973/4, the collapse of the Portuguese empire, and the decision by President Banda to halt all recruiting in Malawi. Despite the increase, wages on the mines remained below the average earnings of black workers in the manufacturing sector where, largely because they did not have the access to labour from beyond the boundaries of South Africa, employers had long paid higher black wages.

The Star Thursday Febr[illegible]

Bonds: why only half a percent reduction?

58

Star 21/2/80

By Frank Jeans

Why only a half percent reduction? That is the question the man in the street is asking today after last night's news that the Association of Building Societies had cut the mortgage rate.

With so much money coming from the gold bonanza, and with banks and building societies flush with cash to lend, it is generally believed that building societies could have been more generous.

But the association says the lower round of mortage rates will mean the societies as a whole will "lose" about R35-million a year because they will continue to maintain interest rates which they have contracted to pay on certain savings.

The association points out the new rates will apply to new housing loans granted from now on, but emphasised that they will also apply shortly to existing loans from dates to be decided by societies individually.

BENEFITS

The benefits to the homeowner on a monthly payment basis are as follows:

R20 000 bond over 20 years: (10 percent to 9,5 percent) R193 a month to R186; R30 000 (20 years, 10,5 to 10) R300 to R290; R40 000 (20 years, 11 percent to 10,5 percent) R413 to R399.

The man with a R20 000 bond could now get R20 700, the R30 000 bond could rise to R31 000 and the R40 000 bond holder could get R41 400.

When societies reduce mortgage interest rates the cut usually goes hand-in-hand with adjustments in fixed deposit rates to "cushion." This was the situation in August last year when the lending rate came down.

Now, however, only the special savings rate has come down as a "cushioning effect."

TABLE II

	WHITE		ASIAN		COLOURED		BLACK	
	Male	Female	Male	Female	Male	Female	Male	Female
Rheumatic Heart Diseases (390-398)	115 1.2%	121 1.5%	28 2.5%	15 1.9%	120 3.9%	139 4.4%	49 2.1%	56 2.9%
Hypertensive Diseases (400-404)	212 2.2%	389 4.9%	115 10.1%	127 15.8%	190 6.1%	276 8.8%	273 11.4%	212 11.0%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	566 3.0%	148 6.2%	66 3.4%
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]78 [illegible].7%	772 32.3%	749 39.0%
[illegible]	[illegible] 100%	[illegible] 100%	[illegible]	[illegible]	[illegible]	[illegible]40 [illegible]00%	2390 100%	1921 100%
I[illegible]	750 38.0%	287 42.4%	122 36.6%	28 26.9%	572 26.3%	161 24.7%	282 15.1%	59 18.2%
Suicide (E950-E959, E979) *	485 24.6%	104 15.4%	42 12.6%	13 12.5%	84 3.9%	18 2.8%	76 4.1%	11 3.4%
Homicide (E960-E969)	59 3.0%	41 6.1%	41 12.3%	2 1.9%	680 31.3%	167 25.6%	806 43.1%	89 27.5%
Total Accidents, Poisoning and Violence (E800-E999)	1973 100%	677 100%	333 100%	104 100%	2175 100%	652 100%	1868 100%	324 100%

* E979 "Suicide and self inflicted poisoning by motor vehicle exhaust gas" is a code used in South Africa which does not appear in I.C.D. (8th revision). See Ref. 13.

NM. 2/2/80 (58)

Building societies cut home loan rates

Financial Editor

THE Association of Building Societies of South Africa has recommended to its members that the rate on mortgage bonds to domestic borrowers be reduced by ,5 percent. The new rate will apply at once to all new housing loans and to existing loans when individual societies decide.

The new rates will be:

Up to R10 000 — 9 percent; between R10 001 and R15 000 — 9,25 percent; between R15 001 and R20 000 — 9,5 percent; between R20 001 and R25 000 — 9,75 percent; between R25 001 and R30 000 — 10 percent; between R30 001 and R40 000 — 10,5 percent; more than R40 000 — 11 percent.

The association has also announced that the interest

★ TURN TO PAGE 2

Loan rates

★ FROM PAGE 1

rate on special savings accounts will be cut by ,5 per cent to 5,5 percent, on March 1 or at the earliest possible date afterwards.

Mr D G Alston, director of the association, said yesterday that it had been decided to drop the rates on bonds and special savings as the association believed that the present liquidity in the economy would continue for some time.

On the other hand, there would be a spin-off for the building industry and it would make home-ownership much easier for people who had to borrow money.

Meanwhile, Sanlam has announced, in its latest economic forecast, that rates will tend to rise in the second half of the year. Sanlam expects this to happen because of an acceleration in private fixed investment and a build up of inventories about the middle of the year.

(58) FM 22\2\80

CONTINGENT LIABILITIES

Banks under scrutiny

Bank lending has shot ahead recently in an unconventional or twilight form that could have serious consequences for monetary policy and could lead eventually to instability in the financial system.

It is a form that runs contrary to the traditional and tested banking procedure in this country as it:

- makes nonsense of banks' gearing ratios;
- makes control by the authorities much more difficult;
- disrupts the money market at a time when, with liquidity set to rise dramatically, its smooth functioning is important; and
- makes most banks' published accounts almost meaningless.

The cause is a glaring anomaly in the present interest rate structure, which has led to a sharp growth in banks' off-balance sheet financing. Among the big five banks these liabilities had jumped to a total of R3 566m by December 1979 — more than doubling over the year.

Known as contingent liabilities, they include bills rediscounted, promissory notes (PNs), foreign liabilities such as letters of credit (LCs), trade bills and other offshore credits arranged by local banks, guarantees on behalf of clients and so on.

Liquid assets

Since banks are not required to reserve either capital or liquid assets against these liabilities, they are able to offer corresponding facilities to customers at a cost well below traditional credit lines, such as overdrafts and bankers' acceptances.

The prime overdraft rate is currently set at 9,5% while Triple A clients can borrow under acceptance facilities at around 6,8%, including the bank's commission of 1,8%.

But banks are required to maintain a capital ratio of 6% and a liquid asset ratio of 10% against liabilities under acceptances, thereby pushing up the cost of this facility. Bankers agree that a promissory note issued by a customer differs very little from an acceptance, but because there are no reserve requirements against the former the banks are able to offer these facilities at around 0,5% to 1% cheaper.

Sudden shift

The sudden shift out of overdraft financing into promissory notes was most evident when the authorities relaxed the local borrowing restriction in December on foreign-controlled companies. But locally-controlled companies had already begun shifting into PN financing, out of overdrafts and acceptances, since early last year when it became clear that these rates were being held artificially high by the authorities.

Relatively little risk

Registrar of Financial Institutions, Wynand Louw, says he is not "overly concerned" about the growth in contingent liabilities, claiming that the vast bulk of paper issued carries relatively little risk. However, the fact that he recently sent a circular out to banks requesting them to recommend what reserve requirements they think should be held against their contingents, does indicate some measure of concern among the authorities.

Naturally, if contingent liabilities are included in balance sheets, they make nonsense of banks' gearing ratios. Among some of the smaller banks, for instance, their contingents are their biggest balance sheet item — for example, Rand Merchant, which has issued capital of only R1,5m and contingents of over R52m. In Barclays' case its contingents — amounting to no less than R1 579m according to its December quarterly — are almost as large as its total risk lendings (R1 904m).

A number of banks argue that their contingents comprise mostly very low-risk paper

Bankers also argue that there is little cause for concern over off-balance sheet foreign financing facilities, simply because most of these clients have already switched back to local facilities (which appear in balance sheets). Their foreign unutilised facilities appear under the local banks' contingent liabilities.

Bankers assert that the real problem is one of definition. Each bank has a different interpretation of exactly what liabilities should be on balance sheets. For that reason a number of banks' contingents are not even shown on their official quarterly returns, but are disclosed in annexures available only to the Registrar.

But even then, claim bankers, these contingents are often understated. An indication of this is the volume of such paper in the money market, which far outstrips banks' disclosed contingents.

Whatever the views of the banks themselves, it is obvious the authorities are faced with a major problem. Not only does this embrace the question of definition, but also of ironing out the interest rate distortions.

It is all very well for some bankers to claim that the unprecedented growth in contingent liabilities carries little risk. But the question they must ask themselves is whether, as prudent financiers, they would lend to a company a large portion of whose liabilities were not reflected in its balance sheet.

But, of course, the whole question would become academic if the authorities would only allow Bank rate to reflect market realities. In that event, the bulk of this lending would switch back to overdrafts and acceptances.

DIAGONAL STREET

Shakeout

(52) 14.12.80

The crunch came on Wednesday when selling pressure knocked share prices lower across the board. Golds in particular came under the whip as bullion slipped to around $600 for the first time in six weeks. Industrials were also weaker despite the still persistent stream of good company results.

Bullion's price appears to be the major determinant of what happens on the gold board but the political news in Southern Africa this week did nothing to boost foreign confidence. There was the arms cache found in northern Natal, the terrorist attack, news that SA would intervene in Rhodesia should the election turn sour and a warning to Mozambique against harbouring guerrillas.

With falling bullion gold shares were hit with a wave of selling. Foreign profit-taking on the gold board combined with local selling moved the gold board 2.5% lower on Wednesday and 4% on the week. This however understates the falls in many shares, particularly the more speculative mines where small investor interest pushed prices high. For example Vaal Reefs lost 35c to 310 [illegible] South Roodepoort shed 90c to 625c and Grootvlei dipped 7.2% to 77c.

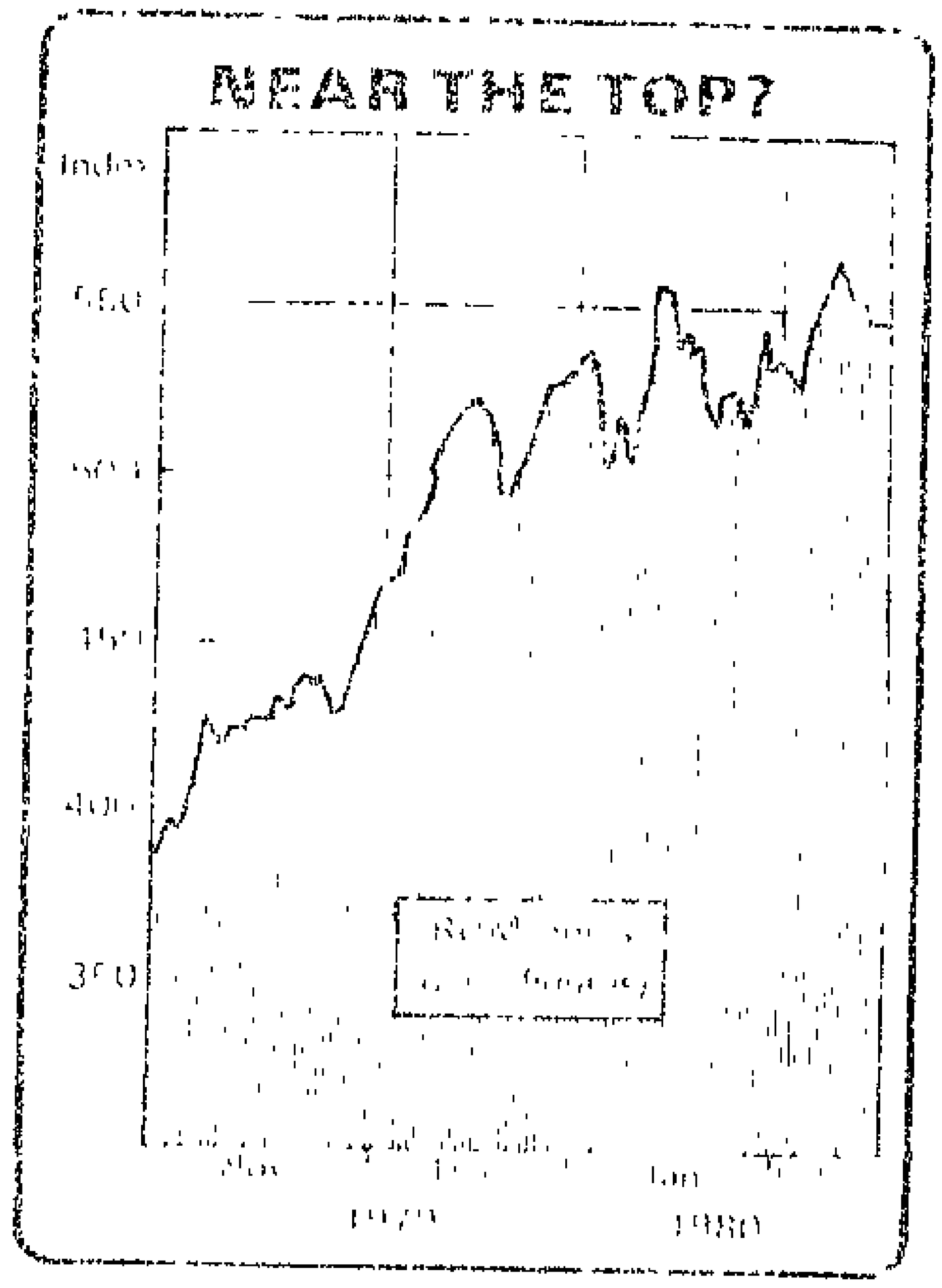
The outlook for gold remains uncertain. Overseas dealers attributed the weakness in gold — down $90 on the week to Wednesday afternoon's $606 [illegible] — to the possibility the US hostages in Iran might be released soon, the strength of the dollar and the support of Fed chairman Paul Volcker for US Treasury gold sales. Most of these are excuses, not reasons. The market has known for at least a fortnight the hostages might be released and previously US threats to increase bullion sales did little if anything to the price. And the dollar has firmed before without bullion falling out of bed. The reason appears [illegible] overbought and [illegible] are [illegible] to keep the price high.

The same happened to [illegible] comp [illegible] platinum was $[illegible] the Russians [illegible] join the free market [illegible] to around [illegible] On Tuesday [illegible] was $[illegible] and on Wednesday it [illegible] $[illegible]

[illegible] of share selling the financial [illegible] weakened. It opened the week [illegible] and closed below [illegible] for a [illegible] descent. Brokers thought the good value of many gold mining shares even at gold prices below $[illegible] [illegible] the widening discount on the [illegible] on the market.

Be [illegible] debate about where the market is going [illegible] in Diagonal Street. The question is whether it is worth hanging in to [illegible] the [illegible]

For industrial shares discounting strong growth in the economy this year and a [illegible] Budget last week [illegible] more likely to be a reaction to the strong rise since mid-January. As usual the features of the week were good company results and [illegible] one of which was [illegible] & [illegible] which [illegible] before closing at [illegible] trades [illegible] been large with [illegible] of a takeover battle [illegible] mentioned have been TA Holdings of Rhodesia [illegible] and Merchant Bank acting on behalf of some syndicate and inevitably Peter Gant [illegible] that was available [illegible] that TA [illegible] and look at [illegible] in the same way it [illegible] local companies but nothing [illegible] planned. And anyway the group would require Rhodesian exchange control approval for any SA deal.



Golds make the running

R/DM 23/2/1980 (58)

By ELIZABETH ROUSE

GOLD shares made the running in Diagonal Street this week, recovering sharply after Wednesday's shakeout on New York and Continental buying, and steadying the market generally.

There was substantial overseas interest in golds and selected mining financials yesterday, which pushed high-priced gold shares up to 350c higher, but the marginals tended to be mixed.

New York ignored the lower gold price yesterday and went for Free Staters on dividend considerations. This is a healthy sign, showing that weak holders have been shaken out and that professionals are acting on basic considerations.

Trading quietened down and the market was more orderly yesterday. Metals were better and institutions nibbled at selected industrial leaders again.

But the Wednesday shakeout left its mark and the end-of-week column showed erosion. Some golds did not recoup losses, and neither did selected mining financials.

Implat came out on the winning side in easier platinums. Diamonds, although steady yesteday, were off on the week.

Messina, although firmer yesterday, and Palamin succumbed to profit-taking in coppers. Tins were firmer, but antimony and asbestos sagged.

The market started the week in a nervous, indecisive mood, which made it vulnerable to adverse factors. Things looked dicey on Wednesday when London suddenly withdrew its support for minings and leading industrials on the sharp falls in metals' prices, South Africa's border problems and its stance in the Rhodesian situation.

Other bear factors were the unexpectedly sharp gold price fall, the fact that industrials have been in an overbought position for some weeks, that institutions are only nibbling sporadically and that brokers face their February yearend.

Industrials were sluggish all week and leaders took a bad knock when London withdrew support of leaders, such as Barlows which slid 70c over the week.

Good December interim and year-end results continued to stream out and counters responded to results (except on Wednesday when nothing would have moved prices), but in general, profit-taking in recent high-flyers increased.

Strangely, in spite of the selling bout, the scrip situation remained tight. This is particularly true of golds because Johannesburg has been sold out for some time, hence to sharp rises when buyers re-enter the market.

58

Anglo is poised for big things

A MOVE in the share price of Anglo American below 1 300c would be a buy signal for a share with excellent long-term prospects.

This is the conclusion of a comprehensive study of Anglo American Corporation (AAC) by a leading firm of Johannesburg stockbrokers

However, the authors believe better buying opportunities should occur.

Earnings for the year ending March 1980 are forecast at no less than 132c, which is expected to provide a final dividend of 45c, giving a total for the year of 65c (46c).

On the share price of 1 390 on Wednesday, this would yield a prospective 4,67% compared with prospective yields around 12% in long-life gold mines at current prices — but the downside risk in an investment in AAC is very much less.

Forecast earnings for the year ending March 1981 are 201c and the dividend for the year 90c. On the current share price this would give a dividend yield of 6,47%.

A major feature of AAC is the long-term growth potential of its investments in almost all sectors

The study, which links AAC's prospects to four factors: the energy situation, the gold price, the state of the world politico-economy and South Africa's political situation, gives a fascinating insight into the growth that can be expected:

GOLD: Prospects are considered to be excellent, with AAC continuing to benefit as its gold portfolio is heavily orientated towards the long-life, relatively low-cost producers.

Income from AAC's gold investments is forecast to rise 75% in the 1980 financial year and about 90% in 1981.

The 1981 projection is based on an assumed average gold price for the 1980 calendar year

By ANDREW MCNULTY

of $500/oz, compared with $310/oz for 1979, and $675/oz for January 1980).

Developing mines which have yet to pay dividends are estimated to comprise at least 20% of AAC's portfolio.

URANIUM: Production will increase by at least 80% over the next three years. It is estimated that by 1985 prices will have risen sharply and by that year uranium may be contributing more than 25% to the profitability of uranium/gold mines.

DIAMONDS: Income from diamonds is expected to increase only slightly in both AAC's financial years 1980 and 1981. Unchanged dividends can be expected.

De Beers' long-term outlook appears most favourable, the study finds. The 50% increase in production scheduled for the next three years will significantly increase De Beers' portion of world production and hence assist De Beers in maintaining its market monopoly.

Recent diamond finds in Australia have created great excitement among investors there, but it will be at least six months before any conclusive feasibility studies are completed.

INDUSTRIAL: Dividends received by AAC from this sector are slated to rise by some 25% in 1980 and 20% in 1981, based on increased export and local demand.

COAL: Income to increase by 25% in 1980 and 18% in 1981, with strong income growth forecast in the long term.

PLATINUM: Income is forecast to rise by 150% in 1980 and 100% in 1981.

COPPER: Income will increase substantially as a result of the higher copper prices Improved transport arrangements and sustained high cobalt prices should result in a dramatic improvement in the profitability of the Zambian producers.

It is worth noting that, while Group earnings per share have grown steadily throughout the 1970s with periods of rapid earnings growth corresponding to periods of a strongly rising gold price, AAC's EPS growth has been slightly lower than that of the mining house sector.

This is because of AAC's higher than average degree of diversification which has resulted in dilution of the effects of the strong gold price rises of the late 1970s.

It can be concluded, however, that AAC's earnings have relatively less downside potential should the gold price weaken significantly.

It is interesting to note from the gold portfolio that almost two thirds are low-cost producers, although almost 9% comprises mines operating at costs above $200/oz. The average mining cost of the portfolio is estimated at $117/oz.

under the supervision ... reporting to the head office in Port Shepstone. All the district managers hold Labour Agents licences with endorsements to recruit for all sugar companies.

An integral bus service is also operated by SILO. This runs from Umtata to Lusikisiki, where it connects with member company buses.

Besides this recruiting function, SILO plays an important liaison role between:

The employer and the employee,
the employee and his family,
the employers and the Transkeian government,
independent recruiters and the Transkeian government.

In order to overcome the seasonal fluctuation in the manner in which Pondos presented themselves for work in the Industry, and to provide

(S. Times 24/2/80)

Muted response to AECI profit

THERE is a distinct mood of caution reigning on the Johannesburg Stock Exchange — not because of the fluctuating gold price, nor because investors are uncertain about the economic outlook — but because of the impending Rhodesian election next week.

Although company results have been good yet again this last week, share prices have, by and large, registered only a muted response. AECI for instance unfolded a handsome package of results for the year ended December with net earnings of 51.4 cents a share against 38.6 cents a share and a final dividend of 18 cents to make a 30 cents payment for the year against 22 cents a share previously. Yet the share price was only slightly firmer on the week.

Reflecting the firmer trend of the six months to December, Tedelex and Ellerine did better, with Tedelex raising its interim dividend by 50 percent on the back of a 48 cents a share improvement in earnings.

And yet the shares hardly put in an exciting market performance. However as analysts have pointed out the outlook for the television market is good with one TV licence a household coming, and a second channel [illegible] looming, so the outlook for higher earnings and dividends from Tedelex is very positive.

On current yield consideration it [illegible] has attraction.

Taking other results — Kanhler, Callo, Anglo Alpha, and Southern Sun[illegible] — where [illegible] their earnings [illegible] from 17.7 cents to [illegible] cents a share and the interim dividend was [illegible] [illegible] to 11 cents a share — and it goes without saying that if companies did so well in the period ended last December, then how much better will company results be in 1980.

Offer documents from General Mining for the balance of Union Corporation not already owned are due to be

This was largely based on the preliminary estimate of earnings and in the belief that London wouldn't like [illegible] paper. However this week's figures for the full year ended [illegible] December from both Gencor and Union [illegible] [illegible] that the terms will remain [illegible] [illegible].

[illegible] was to be a "pure [illegible]" based on earnings, dividends, and net asset value now disclosed, then terms would have been 68 for 100 on earnings per share, [illegible] for 100 on dividends, and 65 for 100 on net asset value. Thus the [illegible] for 100 terms [illegible] [illegible] [illegible] [illegible] [illegible].

Another [illegible] which [illegible] [illegible] [illegible] attention as [illegible] [illegible] [illegible] Rennies, which unfolded [illegible] [illegible] of R10.76 million compared with R8.3 million earned in 1978 (after taking into account non-trading items) which [illegible] [illegible] net earnings of [illegible] cents a share against 29.5 cents a share previously.

The annual payment moved up from [illegible] cents to 23 cents a share and although the board is confident in predicting a further growth in earnings and dividends this current year, the same percentage leap would not be expected. However group liquidity remains good and there has again been a reduction in borrowings and interest charges.

Other companies expected to report shortly include [illegible], and Alexander [illegible].

[illegible] [illegible] [illegible] results from Amcoal, where the annual payment was 60 cents a share against 72 cents a share in 1978 out of earnings which [illegible] from 27.5 cents to 57 cents a share. Given all the excitement [illegible] [illegible] [illegible] coal [illegible] projects, and the [illegible] [illegible] quality of its investment portfolio, Amcoal is rated a buy by those recommending that coal still has something to offer.

How the market will react after the Rhodesian election

THE JSE REPORT

Diagonal Street

Sellers slow the pace in industrials

DIAGONAL Street was looking good up until Wednesday but the trend fell apart as the market was attacked by sellers over a broad front.

One might have expected this in the gold sector because of the sharp knock in the gold price but not in industrials where many dealers felt there was still scope for upward potential.

On Thursday the price of gold gained in reaction to strong rumours of Arab buying. The price, after nearly testing the 600 dollar level on Wednesday, leapt up to 660 dollars in London.

As usual, gold shares reacted favourably to the stronger bullion price with some good local and overseas demand helping to push shares higher.

Excellent results are still streaming in from companies either reporting the full year or half year to December, but the market is not looking at them in the light one might have expected.

Analysts suggest that industrials are taking a breather following the recent rise. But with the budget not far off, which promises to be stimulatory, shares should start to move ahead again soon.

The easier trend in industrials this week is reflected in the JSE Industrial Index which fell from over 531 last Friday to 517. The gold market index recovered by 18 points alone on Friday to stand some 15 points higher on the week.

The 20 highest and 20 lowest shares over the week were concentrated mainly in the industrial sector.

Two sets of good results this week came from Rennies, where all divisions are now operating well with no problem areas and from AECI where sales volumes were up and substantially higher profits are expected for this year.

Copper shares came in for some profit taking following last week's rise but tin shares continued to look firm and Con. Murch was well sought.

The sugar sector stabilised after last week's rise and long term investors are now picking up stock.

Liberty Life property now worth R250m

S.Times 24/2/80

(68)

By ANDREW McNULTY

THE LIBERTY Life group's property interests have reached the R250-million mark with the acquisition this week of the remaining 50% share in the Sandton Development Group.

Liberty Life paid R18-million for Liebtown Investments' stake to gain 100% control of the Sandton Development Group which owns Sandton City, Esso House and 27 ha of prime development land adjacent to these buildings.

The initial 50% was owned by Rapp and Maister, the property arm of Liberty Life since 1976.

The group's total investment in the Sandton project is now about R36-million.

Rapp and Maister has plans on the drawing boards for Sandton City Phase 2.

Details are likely to be announced within days of a multi-million-rand complex of office and commercial property.

The price paid to Liebtown Investments provides Liberty with a yield of 9% after discounting the value of the undeveloped land.

With this acquisition Liberty's property portfolio's value has risen from only R1,3-million ten years ago, to more than R250-million.

There is further good news for the group's policyholders and pension fund clients in the performance of the massive Eastgate shopping centre.

Michael Rapp, managing director of Rapp and Maister, tells Business Times that Eastgate is now fully let and in the nine months since its opening last March has yielded just under 12%.

The replacement cost is now estimated at R60-million compared with the development cost of R40-million.

Mr Rapp says: "This build-up of property investments has been part of a continuous process of investing in sound assets as an inflation hedge.

"In the post-76 period some doubted the wisdom of large scale property investment but in the light of today's building costs the value of our investments is now obvious."

The group's property portfolio comprises: office space 52%; retail developments and retail leasebacks 43%; industrial and commercial leasebacks 5%.

complete with town wages.

on the farms were men. Women

occasionally helped with the dairy

l might be expected to help harvest

n workers were African (about 17

ng 108 were Coloured. All the

m. None of the Africans were

claimed to be legally resident on the

to have no ties with, or interest in, any homeland.

age distribution of the 130 men workers is shown in the table below.

TABLE 25.

Distribution of workers according to age (years)

Age (years)	Number of workers	Cumulative %
0 - 20,00	12	9,68
20,01 - 25,00	13	20,16
25,01 - 30,00	21	37,10
30,01 - 35,00	18	51,61
35,01 - 40,00	9	58,87
40,01 - 45,00	15	70,97
45,01 - 50,00	3	73,39
50,01 - 55,00	13	83,87
55,01 - 60,00	10	91,94
60,01 - 65,00	6	96,77
> 65,00	4	100,00
total	124	
unknown	6	

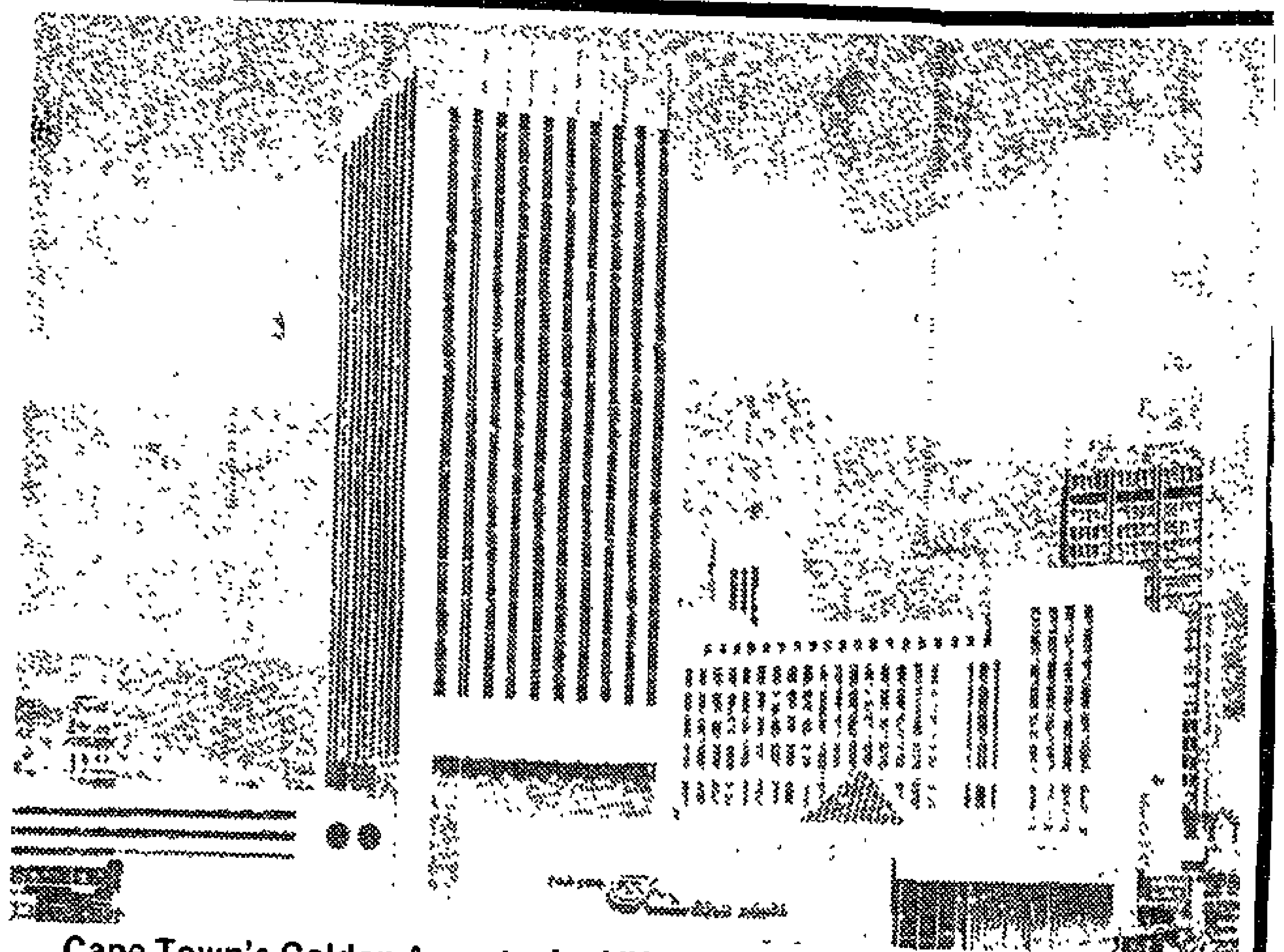
Mean: 42 years

Range: 16,5 to 75 years.

It's go, go, go for life business

Sun Times 24/2/80

(58)



Cape Town's Golden Acre: typical life assurance property investment

By STEPHEN ORPEN

SIZZLING growth in South Africa's life insurance and insured pensions business is expected to lift the total value of sums assured by more than R15 000-million to as much as R85 000-million in 1980.

This will mean life assurance money, or money for the payment of pensions, equivalent to some R3 000 for every man, women and child in the country.

The total is more than twice the country's present gross domestic product. Also, the investments on which the insurance is based, plus the premiums being paid by insurance policy-holders, is generating new money for investment at a rate estimated at as much as R5-million *a day*.

It is this "new" money seeking a home, above all, which is providing an ever more potent source of funds to underpin stock exchange share prices, to feed government coffers and, indirectly, to finance new industry and infrastructure — such as Sasol and major mining projects.

In terms of sheer money power, the growth of the life industry, as a whole, has been easily the most spectacular of any sector in the economy on a sustained basis in the past decade.

And, although competition has grown steadily, there is still little to indicate a slackening in the pace.

Moreover, new legislation to make pensions transferable and to preserve pension rights is expected to have far-reaching implications which, on balance, are more likely to help, rather than hinder, the fortunes of pensions business underwritten by insurers.

There is still no clear indication from the Registrar of Financial Institutions, Wyn-and Louw, whether the new law will be enacted during the current session of Parliament.

However, that it is now inevitable in the medium term is no longer in doubt.

The figures above, and other such staggering statistics, emerge from a Business Times analysis of the life assurance and pensions industries, backed by talks with key men in these sectors.

In the coming 12 months, the growth in the premium and investment income of the so-called "life" industry, comprising some 20 major organisations and many smaller ones, is expected to equal, or better, the 20%-odd of 1979, compared with just over 16% in the year before.

This could bring total income for the year to something near R3 000-million, compared with only about R500-million 10 years ago.

Total assets of the major companies will be above R12 000-million, compared with less than R2 000-million at the start of the Seventies.

Easily the fastest-growing sector of the business is still the insurance of group funds — that is, mainly pension funds.

The growth rate in premium income here has been above 30% a year each year for the past 10 years in the case of the country's largest life assurance organisation, Old Mutual, and at a similarly high level for the second-largest, Sanlam.

Total funds administered by the pensions service of Old Mutual punched through R1 000-million for the first time in any 12-month period recently (R751-million in the previous year) and again Sanlam has shown similar growth.

Old Mutual now administers some 32% of all insured pension business, worth some R3 000-million.

In 1972 there were some 7 400 pension funds in the country with 1,9-million members.

Some 6 570 of the funds, with 763 000 members, were underwritten by insurers compared with 784 funds, with 933 000 members, privately administered.

Today there are some 12 000 funds, of which more than 10 000, with a membership of near 2-million, are underwritten by insurers compared with less than 700 funds, with something over 1-million members, still privately administered.

Group life assurance underwritten by Old Mutual's pensions service is alone worth some R5 000-million and Sanlam's *income* from group business has climbed from only 30% (worth R42-million) of the total some seven years back, to almost 50% (worth near R200-million) today.

Sanlam noted recently that. "To the best of our knowledge, our premium income from group business makes Sanlam the insurer with the largest premium income from pensions and group business in South Africa.

"We are currently providing group life cover to almost 550 000 members and the total for which these members are assured already exceeds R7 000-million."

Actual and conservatively estimated premium income from the industry's group life and pension business is as follows: 1970, R114-million; 1973, R164-million; 1976, R342-million; last year, R650-million; this year, R800-million and by 1985 R2 000-million.

● To Back Page

S H E A R E R S (continued)

Origin of team	Number of Shearers	Dagsmanne	Weeks on farm	Sheep shorn per week	CASH Payment: Shearers	CASH Dagsmanne	KIND Shearers	KIND Dagsmanne
?	7	1	4	1 200	9c to shearer, .8c to agent.	wool-thrower: 75c per 1 000	1 per 1 000	shared
Middelburg	3 *	1	2	1 300	10c a sheep	R2 a day	1 per 1 000	shared
Middelburg (2)	8	0	5	?	12c a			
Transkei	6	0	1	600	10c +			
Middelburg	4 *	3--4	2	1 600	10c a			
Nieu-Bethesda	8	2	4	1 600 - 2 000	10c (			0
Nieu-Bethesda	6	2	2	1 000	10c a			0
Aberdeen (1)	6 - 8	0	1	1 500	15c a			
Merweville	7 - 8	1 - 2	?	900 - 1 000	10c a			ay
Merweville	3	2	?	1 000	10c a			day

* These teams used machine shears.

(1) This team was interviewed in Beaufort West district.

(2) This team was interviewed in Middelburg district.

(38) S. Times 24/2/80

Federated doubles its life and pensions new business

By JOHN SPIRA

FEDERATED Insurance Company has more than doubled its life and pensions new business in 1979, with total new business premiums (including single premiums) of R8,4-million.

Federated's total life and pensions premium income now exceeds R42-million.

Features of the new business figures include:

- Retirement annuity new business more than doubled during the year.
- Group pensions new business (excluding single premiums) increased by 67% to R3,5-million.

Arnold Basserabie, Federated's deputy general manager, tells Business Times: "The increase in retirement annuity and group pensions business is a clear indication of the realisation in South Africa of the need to provide adequate retirement benefits.

"Our figures show that there has been a much greater acceptance in the market of the policies and products we offer.

"In particular, we have gained a much larger share of the broker market and this is especially gratifying as brokers tend to place their business with companies for both competitive reasons and the service which they get from the companies concerned."

Looking to 1980, he comments that a feature of the insurance industry could be the introduction of legislation on the preservation of pension benefits.

Black states appoint SMB

58 RDM 26/2/80 109 103 113

By HAROLD FRIDJHON

SOUTH AFRICAN merchant banks are increasingly becoming involved in assisting the independent black states of Southern Africa project their image on the local capital market.

Standard Merchant Bank did a first class job in presenting the BophuthaTswana Government by supporting the floating of a R15-million long-term loan with a brochure which analysed the economic development of the country and its mineral resources and by introducing BophuthaTswana personalities to representatives of institutions in Johannesburg and Durban.

I learned yesterday that SMB is making further progress in this specialised market. As lead bank, Standard Merchant, together with Senbank, have been appointed to service the Transkei Government for a period of five years. And SMB alone has a similar appointment to the Government of Venda.

Neither of these two governments feature on the current public sector loans programme for the current year. Transkei was supposed to come to the market last year but it was deemed unwise to float a loan until the finances were satisfactory.

It is understood that SMB will undertake a close investigation of the economies of the two countries before approaching the market.

Diagonal Street awaits outcome of Rhodesia poll

(58)

RDM 26/2/80

By ELIZABETH ROUSE

OPERATORS moved to the sidelines in Diagonal Street yesterday, unwilling to take positions ahead of the Zimbabwe-Rhodesian elections.

Brokers noted a reluctance on the part of institutions and private clients to commit new funds to the market before the ZR position is clarified.

Diagonal Street therefore experienced one of its quietest days for some time but, considering the dicey circumstances surrounding the election, the market was reasonably stable.

The gold price appeared to be drifting on lack of fresh factors in the bullion market and that did not help sentiment either. Some gold experts are now talking the gold price down to $550.

However, brokers noted small takers for selected golds and industrials at lower levels, so the buyers are merely lurking in the shadows at the moment.

A bolstering factor in the gold sector is the continuing shortage of scrip in Johannesburg, which means that bids have to be fairly high to get stock.

Analysts of a Johannesburg broking firm advise clients to be patient and not to throw shares on an unwilling market — indeed, there may be excellent opportunities for investment.

The analysts say nothing has really changed in the Middle East situation. Gold has been influenced by economic factors resulting from the almost continuous rise in the price of oil, in addition to political factors.

If the international tension increases in the coming weeks and months, gold could blast off again.

Conversely, if the tension eases (and this doesn't seem likely) gold could fall into the $500-$600 range. But the analysts do not believe that the long gold bull market is at an end.

Uncertainty over ZR is also exacting a heavy toll. The analysts are optimists and believe that common sense will prevail after years of war suffering.

De Beers came off 20c to 1 100c and platinums Lydplat and Rusplat were off 10c and 15c respectively.

Gold heavies, such as Randfontein, Buffels, Harties, Vaal Reefs, the two Presidents, West Drie and East Drie declined in the 50c to 150c region. Sallies was off comparatively heavily by 55c to 815c among marginals.

Anglo shed 45c to 1 130c with GFSA gaining 100c to R84 in a slack mining house sector. Rhodesian counters Corsynd and Tweefontein came off 10c and 75c respectively in easier mining holdings.

Among finance and industrial leaders, Nedbank eased 15c, Barlows shed 25c to 935c and SA Brews came off 15c to 295c.

Sasol and Abercom were both down 20c and Union Steel lost 10c. Sugars were firm against the trend. Huletts picked up 50c to 740c after its plunge while CG Sugar gained 50c to 1 200c.

ATI profit up 41%

R Day 27/2/80

58

By ELIZABETH ROUSE

THE ANGLOVAAL group's industrial finance company, Anglo-Transvaal Industries, has achieved a 41% interim taxed profit rise, the results having been foreshadowed by some excellent reports from subsidiaries.

The group's estimated taxed profit is R10 917 000 for the six months to last December compared with R7 737 000 in the 1978 half year — equal to earnings of 79c against 56c a share.

The board says that other than the heavy engineering concerns, all group companies participated in the improved trading conditions. Profits in the second half of the year should at least equal those made in the first half.

That means that ATI should earn at least 158c a share this year and, if it keeps dividend cover at 5,2, the dividend should be at least 30c against 24c paid last year.

Tax was 48% higher at the interim stage, but larger capital spending of R15 717 000 (R2 166 000) should reduce the tax bill at the year-end.

ATI's turnover is up 27,4% to R308 751 000 from the 1978 half-year's R242 383 000. Pre-tax profits have risen at a faster rate of 37% to R30 420 000 from R22 127 000.

The buoyancy of the share market is reflected in a large rise in market value of ATI's investments to R67 659 000 at the end of the year from R39 037 000 a year ago. Book value was relatively unchanged at R15 442 000 (R15 272 000).

In the past half year ATI acquired the balance of South African Fine Worsteds issued shares. In turn, this manufacturer bought a 70% interest in Universal Knitters & Weavers (Pty) which makes curtaining fabrics.

The unquoted subsidiary, Denver Metal Works (Pty) has bought the assets, liabilities and business of Protea Scrap Metals (Pty) with effect from last November.

Subsidiaries Consol, Steelmetals and South Atlantic have also made acquisitions.

The Natal Mercury, Friday, February 29, 1980

Liberty joins billionaires

58

Mercury Correspondent

JOHANNESBURG — Mr Donald Gordon's Liberty Life group has joined the billionaires — American style, that is. Liberty's total assets went just over R1 000-million in 1979 from R737-million at the end of 1978.

It increased tax attributable profit to R14 588 000 in 1979 against R12 572 000 in 1978.

The final dividend has been raised from 56c to 58c, but the more relevant comparison is the rise in the total payment from 86c to 100c. This is because Liberty decided to reduce the disparity between interim and final payments and bumped up the interim payment last year from 30c to 42c.

Earnings a share rose from 115,2c to 133,6c.

Profit rises

Liberty Holdings — which depends for about 80 percent of its income from its investment in Liberty — showed a similar pattern. Taxed attributable profit increased from R12 247 000 to R14 241 000.

A final dividend of 12c (10c) has been declared to give a total of 19,5c (15).

Mr Gordon says: 'The higher percentage increase in Liberty Holdings dividend has been made to align correctly the dividend rates of Liberty Holdings and Liberty Life to avoid unnecessary duplication of profit retention at the holding company level.

'In future, dividend increases of Liberty Holdings are likely to be more closely related to the rate of increase of dividend in Liberty Life.'

A heavyweight

Not surprisingly, the biggest asset growth for Liberty came from shares and mutual fund units, which rose from R128-million at the end of 1978 to more than R250-million a year later.

The astonishing growth of Liberty throughout the 1970s has taken it into the heavyweight league — it is the largest quoted insurance group although it is not, yet, quite in the same league as Sanlam or the Old Mutual — and this inevitably makes it harder to sustain the kind of percentage profit growth of the early years.

But its recent growth can still be seen by comparing with 1974. In the five years, earnings a share have jumped from 73,1c to 133,6c and the total annual dividend from 54c to 100c.

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with selected major categories of disease. Clearly, this is an entirely hypothetical situation. However, these competing risks life tables not only provide an indication of the relative importance of various disease categories to both the overall mortality experience and also to expectation of life of the three communities, but also, since there is an approximately linear relationship between the reduction of mortality and the percentage increase in life expectancy, any improvement will give rise to a proportional improvement in the expectation of life. Thus, if the mortality associated with any of the diseases included in Fig. 6 are reduced by 50%, then the increase in the expectation of life will be 50% of the improvements indicated.

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BANK QUARTERLIES

58

FM 29/2/80

Christmas bonanzas

If anything stands out in particular in the banks' December quarterlies it is that lending last year shot ahead compared to the previous three or four years. The trend towards less conventional forms of credit was most marked in the last quarter of the year.

Financial Mail February 29 1980

And, reflecting the higher level of liquidity in the economy, the shift into cheque deposits that the big banks experienced in the third quarter of last year was even more pronounced in the December quarter. This trend is in keeping with the normal build-up in cheque deposits during the last quarter of the year, as individuals prepare for the Christmas season and companies look ahead to year-end tax payments.

During the year as a whole, the two biggest clearing banks, Barclays and Standard, saw these deposits jump by 31% and 35%, respectively. Negotiable Certificate of Deposit (NCD) issues by all the large banks, except for Trust, were substantially up on the same period a year earlier. However, lendings in overdraft form grew only slowly during the year — not much more than about 3% in real terms.

But banks certainly made up for slow lending growth in overdrafts by substantially higher growth in acceptance facilities and in their off-balance sheet financing, including promissory notes, trade bills, guarantees and so on

Among the bigger banks, Barclays' contingent liabilities rose by over 18% to R1 579m in the six months to December. Volkskas' contingents jumped by nearly 50% to R776m. In percentage terms, the increases in contingents among some of the smaller banks were much greater. Standard Merchant, Barclays Merchant, Hill Samuel and Finansbank all more or less doubled their contingents in the half year to December.

Only Barclays hiked its investment portfolio significantly — up 12% to R992m.

Among the merchant banks, Volkskas Merchant saw the highest growth in acceptances, which jumped by more than 80% in 1979 to a total of R59m. Hill Samuel and Standard Merchant each pushed up their acceptances by more than 70% during this period.

DIAGONAL STREET (54) FM 29/2/80

On slippery ground

With the Rhodesian election upon us, suddenly investors are suffering from cold feet. That is one broker's view. Another believes investors are waiting to see which way the cat jumps. Both could be partly correct.

There has been a fair amount of selling on Rhodesian fears, but there is also optimism that the Rhodesian question is not as serious as some believe. Consequently, this week's industrial share decline was not severe. Even so, investors appear to be overdoing it. With interest rates mooted to decline further, some shares are now on 11% prospective yields.

Brokers appear to be discouraging panic selling and advising clients to wait out the temporary bear squeeze. And these brokers could be reading the market correctly. Signs of strength are still much in evidence. Firstly, the top of a market is usually not accompanied by uncertainty, but by over-confidence. Typically, investors and brokers bubble over with confidence at the end of nearly every bull run.

Turnover is still generally lower on share declines — and higher on rises. For instance, on Friday volume rose sharply to R16,1m when the JSE Actuaries Mining Index put on 12,7 to 511,7 and the Industrial Index rose 2,5 to 518,4. On declines, the turnover was around R11,8m. With bears in the ascendancy, this trend would be reversed.

What has been particularly surprising is that the market has fallen as far as it did. Next month, the budget will be announced. Generally, it is expected to produce further stimulus to the economy. Investors, however, may be somewhat wary of the possibility of a capital-gains tax.

For companies which recently announced fine profit increases, the past week has been dismal. The argument goes that the industrial share market discounts some nine months in advance. If that is the case, there is every reason to expect share prices to firm again. Some of the interim results announced are not a flash in the pan. They are solidly based gains on higher sales and improved capacity utilisation. Yet prices were marked down.

This week, Alderson & Flitton was suspended (See *Fox*) while the suspension of Lucem and Buffalo Timbers, continued. Lucem's three-week suspension also dragged on following the proposal to take out Brick & Clay minorities, though there has been some speculation that another takeover might be in the offing.

One of the week's strong movers was Schus, a Cape-based motor trader. The company has a February year-end and with the flow of good motor company profits, obviously investors expect Schus to follow suit. Toyota was in demand later in the week ahead of results, but the share eased marginally in line with the trend in industrial prices.

Next week, the results of the Rhodesian elections will be known, but it may take a little longer for foreign investors to forget the terror attack in northern Natal. Nevertheless, some brokers expect the current reaction in industrial shares to slow down and a further rise get under way. If it does, the consumer based and construction/building sectors could still rise.

On the other hand, the rise in the gold index was sparked by the reversal in the downward trend in bullion. On Thursday afternoon, gold rose \$59 to \$665, but the Rhodesian elections, coupled with a drop in bullion to around the \$630 level, resulted in golds drifting sideways in the latter part of the week. However, on Tuesday, St Helena reached a new high at 3 700c and Durban Deep rose to 3 400c, also a new high, as interest was reawakened.

Des Kilalea

foreign houses

INVESTMENT

58) FM 29/2/80

The foreigners move in

South African property bulls are in good company. Foreign investors are climbing into the local market in increasing numbers and agents are holding briefs worth millions for everything from office blocks to cattle farms.

Overseas interest has been heightened by several factors — not the least of them the new-look policy of the Botha administration. But there are other factors — South African yields are generally higher than the international average (see box) and, until recently, discounts on the financial rand (FR) have been particularly attractive.

The Reserve Bank isn't all that keen on FR transactions in the property sector. The bank's Dr Braam van Staden says permission can be obtained, although deals that are highly speculative or involve substantial loan financing are more likely to be turned down.

Keen or not, the bank gave the go-ahead for R45m worth of FR property financing last year, according to latest figures. That's nearly 9% of the total FR dealings in 1979 (*FM* February 22).

Agents are understandably reticent about deals in progress, but some of the activity unearthed by the *FM* includes:

- A brief held by Richard Ellis Dunlop Heywood to find R20m worth of commercial and industrial property for European investors. The approach was made through a group of bankers.
- Two notable agricultural deals by Pretoria's Premier Investment. The company's Selwyn Schewitz says he has sold cattle farms worth R800 000 to Americans.
- An attempt by foreign interests to take over Johannesburg's IBM Building after it was sold to the Old Mutual for R11m (*Property* December 21). J H Isaacs' Errol Friedmann says an offer of a quick profit to Mutual was turned down, but JHI is still on the lookout for suitable propositions.
- Growing overseas interest in the Cape market, mainly from Britain and largely in the residential sector.

Cape Town agents Geoff Seeff and Geoff Chait say they have been involved in a number of foreign deals. And Divaris Real Estate's Gerald Divaris says he has sold Cape farms and is negotiating the sale of blocks of flats and individual units on sectional title. He is also involved in negotiations to sell central Cape Town office blocks.

There's also a lot of talk about Argentinians moving into the South African market. Cape farms and pleasure resorts are mentioned, but the *FM* hasn't pinned any deals down. Divaris says his involvement in the sale of stock farms to Italians may have created the confusion.

Premier Investment has seen enough potential in foreign trade to open a special division. Schewitz has been given special responsibility for overseas business.

He says the apparent "enlightened" approach of the government has increased foreign confidence in the country But with FR discounts off the top, new ways of financing are being sought. Schewitz has watched the shine fade from the FR market His first deal was concluded at an effective FR discount of 31%. The next was at 22% and the rate dropped as low as 9%, before hardening again.

Borrowing restrictions on foreign-controlled companies in South Africa are posing problems and Schewitz says gearing has to be delicately handled. But enthusiasm is high enough, says Schewitz, for foreigners to waive the benefits of the FR discount and they are now looking at the commercial rand as well.

So the interest is coming from investors all over the place. Strange, but there's not an Arab or oil sheik among them

FOREIGN YIELDS

No wonder the international market finds South African yields of 8% to 9% on prime commercial properties attractive. Here's how they compare with other parts of the world:

London — commercial 4% to 5%, industrial 6% to 6,5%;
Scotland — commercial 6% to 6,75% . . North Sea oil influence;
France — commercial down to 7% from 8%, industrial 9,5%
US — commercial 5% to 6,5%, industrial 6% to 8%;
Melbourne and Sydney — commercial 5,5% to 6,5%;
Western Australia — 7,5% to 8,5%, Industrial 9% to 11%.

Bank lending runs out of control

By HAROLD FRIDJHON

MOST BANKS are either knocking against their official lending ceilings or they are slightly over — not that that really matters. The official ceilings have become a farce with the explosion in banks' off-balance sheet financing through bills, local and foreign, and promissory notes.

Bankers says that the authorities no longer have any real control because they have little idea of what is going on with the extent of non bank intermediation. The grey market is flourishing and the banks are in an intolerable position

The reason for a situation which is giving first-class names access to very cheap money but no help to smaller companies and consumers is the hyper-liquidity which is engulfing the economy and an official rate structure which is completely out of line with reality.

One banker tells me that the official bank rate is two percentage points too high. With bank rate at 7%, the prime overdraft rate is 9,5% with an average of 10,5%. But only the smaller and the weaker firms are paying for money at this sort of rate. And, of course, the consumer on hire-purchase and other finance.

Big companies with good financial names are getting their money around 5% by using the money market to discount bank endorsed bills. The banks make a turn for giving their endorsement and although they are not at risk, bearing in mind the quality of the paper, these endorsements are really contingent liabilities. This is what is meant by off-balance sheet financing.

Bankers had hoped that the situation would have been resolved by the recommendations that they hoped would be contained in the second report of the De Kock Commission which is expected to deal with interest rates, exchange control and, through these channels, control of the banks.

But the De Kock Commission will not report before the end of this year — at the earliest. In all probability, the report won't come before the first quarter of 1981

This means that if changes are to be made — and judging by the feeling in banking circles they should be made — they should be part of Senator Horwood's Budget statement

South Africa's difficulties are caused by the unheeded flood of plenty. Billions of dollars are flowing in from the sale of gold and other exports. The balance of payments is in heavy surplus. Banking institutions are being allowed to finance foreign trade, both imports and exports, on increasingly longer terms.

A couple of weeks ago I reported that this "off shore" financing had created hidden reserves of R2 000 million. I was given to believe yesterday that the figure would now be in the region of R3 000 million.

What is now needed are more conduits to be opened to channel funds outside South Africa. For the Reserve Bank to issue bills or other paper to mop up the liquidity in South Africa is not the answer. All that would achieve would be to pay interest for money which the central bank does not want — which means that in the long run the taxpayer would foot the bill

A simple — and profitable — alternative would be to give banks and other institutions the right to invest money abroad

I am not advocating long-term investments, although there might be a good case for some of these. I am thinking mainly of overseas Treasury bills and money market paper which is available at very high rates in the United States and the UK

This would be profitable business for the banks and it would drain off some of the surplus liquidity. It would also generate a little additional income on current account

While interest rates are low in this country, they do not induce any large-scale foreign investment. Overseas people who invest in this country want relatively high returns because they assume, rightly or wrongly, certain political risks. And current returns are far from attractive, bearing in mind the high prices being paid for money abroad

For the Reserve Bank to continue to play the ceiling game is ridiculous. Ceilings are not going to stop the banks, and if the central bank tries to curb commercial and general bank lending it will only be sending borrowers into the heart of the grey market where Reserve Bank control cannot reach them.

Monetary policy must come from the Minister of Finance. The Budget is not merely an accounting procedure — it is a policy-making document which must shape the economy not only for the coming fiscal year but for the years ahead.

DD 5/3/80

58

Big demand for housing loans

EAST LONDON — Building society loan applications — always an accurate barometer of the economic situation — are climbing dramatically.

Reflecting the general economic upswing, the Perm granted a record R127 million in loans last month — more than R5 million a (working) day — despite February being a short month.

And East London is sharing in the boom. The manager of the SA Perm here, Mr Mike Povall, said February had also been a record month in East London.

An impressive 90 per cent of the money loaned was for homes.

February's performance brings total Perm loans this year to R738 million — 90 per cent for houses and the balance on flats, sectional title developments, commercial propositions, churches and clubs.

The Perm's general manager (technical), Mr Brian Kemmey, said the pattern of lending had virtually remained unchanged compared with last year when the Perm notched up an all-time record of R511 million in the South African building society movement.

"However, there has been an increasing percentage of building loans as against loans on existing property", he said, reflecting the increased activity in the building industry.

"As a result more stock is reaching the market and being snapped up by buyers who realise that if they are going to buy or build a home now is the time.

"Building costs are continuing to escalate at a figure exceeding two per cent a month and the public have been consistently warned about this over the past year by the building society movement.

"It's also interesting to note that existing borrowers are applying for readvances and further loans to complete extensions and additions to their properties."

Mr Kemmey added spec builders had returned to the building scene and were also playing a part in providing an increased flow of dwelling units on the market.

On black housing loans he said: "The 99-year lease scheme is now a fait accompli and getting off to a good start. The Perm is geared to assist and guide prospective borrowers, piloting their applications through the correct channels to ensure black customers who are new to borrowing on mortgage obtain quick service with a minimum of confusion."

Indications that the property industry is picking up again also comes from Sage Property Trust Managers (SPTM).

In their annual report SPTM's directors say the imbalance between rental levels and building costs is gradually being corrected "and the property industry can now look forward with confidence to further rental increases and, in the medium to longer term, to a more vigorous and widespread resumption of new development activity."

The year 1979 was a significant turning point for the South African property industry as a whole, the directors say.

SPTM says the overhang of excess commercial office accommodation in the major central business district areas of most cities has been substantially reduced; and that rentals are rising steadily and consequently a return to more satisfactory levels of profitability is likely.

SPTM adds: "The residential property sector has experienced a major recovery from its low point in 1978 and a distinct shortage in certain types of accommodation has developed.

"Sectional title conversions have further reduced the number of units available for letting.

"The rising level of economic activity is creating renewed demand for well-situated industrial premises and this is being reflected in higher rentals on new leases and new developments."

— BUSINESS EDITOR

Stanbic still looks good for growth

S74/25/3/80

58

By Colin Campbell

Remembering the warning given by chairman Ian Mackenzie in last year's annual report about the planned rate of dividend increase, and bearing in mind the potential that lies ahead as the economy gathers steam, I am not as disappointed as some commentators at today's year-end results from Standard Bank Investment Corporation (Stanbic)

On an annualised basis, net income rose by 24,2 percent to R48,74m, to give year-end earnings of 82c a share.

For the previous nine months ended December, 1978, net earnings were 51c a share.

The final dividend will be 25c a share which, together with the 11c a share interim, makes a 36c a share pay out, which returns 5,3 percent on last night's share price of 675c.

The return on shareholders' fund, at year end was 17,56 percent against an annualised 16,35 percent previously, Stanbic says demand for commercial bank lending was slack, but the consumer finance sector grew at a high rate — especially in the second half.

In his last report, the chairman said the group planned over the next five to six years to increase gradually the dividend cover to the 3,0 times level.

This year's cover is 2,3 times.

Though the planned gradual increase in the dividend cover may dent some investors' enthusiasm, those with a longer term view will appreciate the greater strength that higher retentions will mean

There was some Press comment this morning that the earnings growth at Stanbic was not particularly exciting — but I would expect that as the economy picks up, and most commentators believe that it will, then Stanbic's rate of earnings growth will improve.

If you accept that Diagonal Street still has some steam left in it, then Stanbic at its current yield has its attractions. For my money, Stanbic still looks good for growth.

Minorco income rises 56%

(58) RDM 6/3/80.

By DON ROBERTSON
Mining Editor

MINERALS & Resources Corporation (Minorco), which is destined to become the major overseas mining investment arm of the Anglo American group, had a healthy rise in profits for the six months to last December.

Total income rose by 56% to $14 441 000 from $9 273 000 in the first half of the previous year, although expenses rose by more than double this percentage to $4 250 000 from $1 990 000,, reflecting a first-time payment of interest on the $50 million loan raised last year.

The results include only three weeks of earnings from the enlarged portfolio following the restructuring of the Anglo, Charter, Minorco group, which became effective from December 3.

At the attributable level, however, the results are not comparable because of a change in accounting policy, which now makes use of the equity accounting system.

This change resulted in the inclusion of $25 594 000 in the accounts for the six months, being the group's share of retained earnings in associate companies. Most of this figure reflects earnings retained in Engelhard Minerals. Most of the improvement in dividend income also comes from this source.

Before the inclusion of these retained earnings, profits were $9 537 000 compared with $6 857 000. When included, attributable profits for the six months were $35 131 000 against $6 857 000.

Adding to income was a $2 824 000 contribution from interest. The full $50-million loan was called, but not utilised and earned this interest during the period.

Interest on the loan amounted to $2 126 000, the difference between the two figures reflecting the increase in interest rates since the loan was negotiated.

An unchanged interim of 4c was declared in November.

Zambia Copper Investments (ZCI) in which Minorco has a 49,98% interest, also reports substantially improved results for the half-year, with attributable profits up to $1 730 000 from $338 000.

Dividend income rose to $579 000 from $1 000, reflecting the improved position in Nchanga Consolidated and Roan Consolidated, in which the company has a 39,9% and 9,8% interest respectively.

STANDARD BANK (38)

Growing cover

FM 7/3/80

Standard Bank's results for the year to December confirm the exceptionally buoyant conditions presently being enjoyed by this sector of the economy, with indications that second-half profit growth was in excess of 40%

For shareholders, however, the outcome must be considered slightly disappointing, even though the group is ahead of most estimates, including our own. For investors, the only valid comparison is with 1978's results, annualised from nine months, and on this basis the R48,7m attributable profit represents a growth rate of 24% on the R29,5m earned in the nine months to December 1978.

This was diluted to 19% by a larger effective issued share capital, the previous earnings having been calculated on a weighted average following the acquisition of UDC Bank and the September rights issue. With the decision to increase dividend cover progressively from 2,1 to 3,0 by the mid-Eighties, the 36c dividend to-

, covered 2,3 times, represents a 12,5% rease on the annualsed 24c distributed the previous nine months.

Profit growth during the period is diffi- lt to calculate with any degree of cer- inty, because of the change in financial ar end in 1978 If the results for that ne-month period are reduced proportion- ely to six months, this would mean that e R27,8m earned by Stanbic from July to ecember represented an improvement of %. This is in line with Barclays' appar- it growth rate in the final three months its 15 month accounting period, which so ended in December

A more conservative growth rate of 36 % obtained by assuming that the R17,9m arned in the six months to June 1978 ccrued fairly evenly This would mean at the second half of that year produced profit of about R20,5m, or about R1m ore than the figure obtained by reducing he nine months' profits proportionately

Either way, the results are significantly etter than the 17% growth rate of the rst half and, if the pattern is continued, hould ensure a more satisfactory divi- dend increase in the current year, even hough cover will probably be raised to round 2,5

The company attributes the improve- ment mainly to strong growth in the onsumer finance sector, commenting hat demand for commercial bank lending emained slack. The report also notes that the return on year-end shareholders' funds improved to 17,6% from 16,4% in 1978 This was better than the 16,1% earned by Barclays in the 12 months to September, but still a fair way short of the 21% return obtained by Nedbank over the same peri- od

At present, the share seems fairly priced at 670c in relation to its main competitors The 5,4% historic dividend yield is slightly higher than for Barclays (5%) and Nedbank (4,5%), but this is justified by the fact that dividend growth prospects over the next few years are less favourable than for the other two which have not indicated any likely change in the proportion of earnings to be distributed.

John White

DIAGONAL STREET/SALISBURY (59) (275) PN 7/3/80

No reaction — yet

"What elections? Robert who?" Facetious yes, but it adequately sums up Diagonal Street's immediate reaction to Mugabe's clean sweep. Indirectly this could be construed as a vote of confidence that, ideology apart, this is just the steady hand that Zimbabwe needs if it is to rebuild plus the fact that, suddenly, investors appear to believe that the dragon is not that fearsome now that it has been formally enthroned.

Time will tell. In the interim, Diagonal Street hesitated for a mere fraction of a ticker tick on Tuesday, then proceeded on its independent way. Bullion's growing base above the $600 mark has yet to be firmly shaken and glowing industrial results continue to reflect the extent of economic revival.

At the outset of the previous week, investor caution ahead of the election was obvious. In fact, the tickey snatchers just could not get out fast enough late last week. Prices began to soften wiping millions from market capitalisations. However, this week saw them come scrambling back on fears that they had acted prematurely. The market just did not take their lead.

According to one broker, strong markets are naturally insulated against bad news, particularly when the strength is based on international commodities such as gold, platinum and coal as well as internal economic growth. So by the close on Wednesday, the JSE Actuaries gold index had risen by 5,9 points to 541,4, while its industrial counterpart was unchanged at 521,4.

Certainly not the stuff of panic.

In London, initial reaction was negative and both Rhodesian bonds and stocks took an early drubbing. Southern Rhodesia 7½% bonds tumbled from £123 to £110, while Lonrho fell by 8p to 103p, knocking £17m from market capitalisation. However, as the day wore on, the City took heart from the calm reaction in Johannesburg as well as from the fact that the prospect of a weak coalition leading to civil war had vanished. At the close, the market recovered enough of its composure to leave mining stocks such as Corsyn, Wankie and Lonrho only slightly easier. Industrial counters with Rhodesian interests, such as Mitchell Cotts, also shed only a few pence. All-in-all, a remarkably subdued reaction given the previous build-up of hysteria to Mugabe's public platform.

Rhodesian business reaction to Mugabe's sweeping electoral victory has been muted. "Wait and see," is the message from all sides. The stock exchange reacted sharply downwards, falling 10% in anticipation of, and in immediate reaction to the election results. But this took place in thin turnover and on Tuesday afternoon, only hours after the results had been declared, industrial prices were higher than they had been at midday. "Perhaps it is not going to be so bad after all," was typical investor reaction, though dealers were taking the view that in the weeks ahead the market is likely to be highly uncertain. "It is no place for widows and orphans any longer," said one dealer.

The underlying belief of investment analysts is that the market is on far too low a yield pattern, with blue chip industrials yielding less than 5% at a time when inflation is being forecast at anything from 14% to 20% for 1980.

They point out that externally quoted counters — Mangula, Falcon, Coronation Syndicate, Wankie, Rhodesian Cables, Portland Holdings — are far more rationally priced than local stocks. Of course, one technical explanation for this is the fact that institutions are effectively excluded from the purchase of "dual register" stocks. Thus supply and demand factors have a lesser impact.

Business leaders were very reluctant indeed to comment on the election results. None had wanted to see Mugabe win. His policies are less acceptable to big business than those of any other party that contested the poll.

What is unclear, though, is just how far he will go in implementing his policies. The initial signs are encouraging, moderation and pragmatism appear to be the order of the day. Businessmen who have held discussions behind closed doors with Mugabe during the campaign point to the disparity between manifesto pledges on the one hand and Mugabe's far more moderate line in recent private discussion.

In their public pronouncements business leaders have merely said that they accept the outcome of the poll and that they will work with the new government to achieve economic recovery and expansion. The Private Sector Co-ordinating Committee, which represents commerce, industry, tobacco growers, commercial farmers and mining, issued a brief statement calling upon people to remain "calm and objective."

"All sectors have held discussions with Mugabe," the PSCC statement said, and were reassured by his appreciation of the importance of the economy. For organised industry, John Hills adopted a wait-and-see approach. "Let's see his policies first — we must not act hastily," was his advice. For commercial farming, Denis Norman emphasised that a thriving farm sector was fundamental to political stability. "Agricultural production — and especially food output — in both commercial and tribal areas needs lead time to meet future requirements," he said.

All businessmen are optimistic on at least two counts. First, the expectation is that the war will end and that the military call-up, which has had so disruptive an impact on the economy, will start to wind down very soon. Secondly, that Mugabe's absolute majority means that the dangers of a weak and unstable coalition government have been averted. On the debit side, business leaders predict an upsurge in white emigration, though just how soon this will materialise and how great the outflow will be is impossible to say.

MONEY SUPPLY (58)

Loosening up

FM 7/5/80

The money supply (M2) — which includes short and medium-term deposits — rose by an average annual rate of only 10,2% last year, despite wide short-term fluctuations, says Senbank senior economist Peet Strydom. This is less than half the rate of increase at the comparable stage of the last economic upswing.

While this rate is hardly likely to support a rising momentum in business activity for long, say economists, it gives rise at least to some hopeful expectations about inflation. But Reserve Bank officials say that the surge in money supply, which began in the last few months of 1979, has extended itself into the first months of this year.

Strong surge

M2 actually declined in the first half of 1979 before surging strongly in the third and fourth quarters. The third quarter rise was partly a result of high Land Bank financing of the maize crop — to the tune of over R110m — as well as fairly sharp increases in private and public demand for funds.

The continuation into the final three months of the year — when M2 rose by an annual rate of 26% — came about because of substantial bank credit to both the public and private sectors, and because of the repayment of loan levies. Additional funds were also supplied as a result of foreign companies being allowed to borrow more locally

More significant, and equally as welcome as these hikes in the last half of 1979, according to bank spokesmen, is the continuation of the trend into January and beyond.

Diminishing fears

As a result, the fear of some economists, that the revival could have been aborted by lack of funds before it really got under way, is beginning to diminish.

The factors bringing about the higher rate of growth will come clear only with the next Reserve Bank *Quarterly Bulletin*, but it is apparent from reports that consumer demand is increasing rapidly, so hopefully the rising money supply is fuelling it.

As another result of growing private sector demand for goods, economists say, there should have been a significant shift of corporate resources into current accounts and short-term investments, as manufacturers, wholesalers and retailers prepare to replenish inventories. Some claim the continuing decline in long-term interest rates supports this view.

The move into shorter-term assets is also highlighted by the rise in M1 figures which, in the last three months of 1979, increased at an annual rate of almost 50%.

Of course, the higher gold price, which has provided SA with a record surplus on the current account of the balance of payments, is highly significant in boosting the money supply. But it is important to note that the increases in M2 in November and December last year — 3% and 3,4% respectively — took place when there was a decline in foreign reserves of some R111m and R88m, respectively.

So there were other contributing factors. One in the last few months, economists say, is higher government spending as departments use up their budget allocations.

Standard's Hamersma . . . beware the flood

What is becoming increasingly important at this stage, says Standard Bank's André Hamersma, is that the flow of gold earnings into the economy be carefully controlled, so that inflationary pressures do not explode later in the year. "The increase," he warns, "has already perhaps been a little excessive." Moreover, the "feast and famine" fluctuations in the money supply which occurred last year, he adds, must be ironed out, which implies more effective control by the authorities.

LENDING UPSURGE (59)

Twilight risk FM 7/3/80

The upsurge in off-balance sheet lending to which the *FM* referred last week — and in previous weeks — is illustrated in these tables compiled from the banks' official December returns to Registrar Wynand Louw.

It is reflected in contingent liabilities figures for the six months to December. While the trend began earlier last year, these figures are given for only half of that period as there was a change in March in reporting requirements.

The amount of these liabilities outstanding is in fact much larger than reflected in these figures as some are reported only in annexures to the quarterly statement (BA 9), which are not available for public scrutiny. None of these liabilities carry any capital or liquid asset requirements and are thus almost beyond the control of the authorities. The figures for some banks under this item have remained static over the period reported here. That is because in some cases they reflect bills that have been switched back on to balance sheets.

Another feature of this analysis is the rapid growth that continued in general banks' instalment credit receivables.

The risk lendings in the tables have been compiled by adding together bills discounted or purchased, hp discounts and advances, deeds of sale discounted, other loans and advances and merchandise leases.

BIG FIVE — CHEAPER DEPOSITS

Bank	Cheque deposits	Total deposits	NCDs	Risk lendings	Acceptances	*Contingent liabilities	Investments
Barclays	1 270	3 795	251	1 904	122	1 579	992
	967	3 239	194	1 699	87	1 335	889
Standard	1 110	3 102	217	1 485	34	992	503
	820	2 710	110	1 287	0	940	704
Volkskas	568	2 157	46	847	37	776	614
	469	1 813	0	805	32	520	582
Nedbank	303	1 480	185	657	506	126	579
	214	1 237	114	506	216	125	571
Trust	145	1 116	77	799	113	93	229
	108	1 054	94	699	14	103	226

MERCHANT BANKS — TWILIGHT LENDING

Bank	Total deposits Rm	NCDs Rm	Acceptances Rm	Risk lendings	*Contingent liabilities	Investments
UAL	154	23	103	33	32	82
	148	37	100	30		92
Senbank	149	45	198	72	21	83
	166	50	177	80	17	71
Standard (M)	147	23	211	69	44	86
	163	11	121	80	20	73
Barclays (M)	114	15	50	30	13	83
	137	14	48	32	7	85
Hill Samuel	95	14	83	59	68	14
	75	17	47	60	36	15
Mercabank	162	7	22	95	25	29
	124	6	19	79	35	29
Finansbank	66	7	13	46	30	16
	56	1,9	13	40	15	13
Volkskas (M)	88	17	59	33	139	48
	66	6	32	15	116	31
Rand Merchant	2,7	0	21	1,4	53	1
	4,5	0	10	2		1

*Contingents: top figure for December '79, lower figure for June '79.
All other figures show banks' positions at December '79 (top) and December '78 (lower).

HP & LEASING BOOMS

	Hire purchase	Leasing	Total	% share of market
Stannic/Stancor (Rm)	454	428	882	25,8
(%)	10,5	7,3	8,8	26,4
Barclays Western (Rm)	421	172	593	17,3
(%)	15,0	8,9	13,2	17,0
Trust (Rm)	319	144	463	13,5
(%)	19,0	14,3	17,5	12,8
Barclays (C) (Rm)	97	265	362	10,6
(%)	4,3	2,3	2,8	11,4
Nedfin (Rm)	117	184	301	8,8
(%)	15,8	0,6	8,7	9,0
Santam (Rm)	167	64	232	6,8
(%)	16,0	4,4	12,6	6,7
Volkskas (C) (Rm)	69	45	114	3,3
(%)	7,2	0	4,6	3,5
Bankovs (Rm)	68	72	140	4,1
(%)	23,8	0	10,2	4,1
Boland (Rm)	61	46	107	3,2
(%)	8,9	0	4,9	3,3
Volkskas Industrial (Rm)	35	17	52	1,5
(%)	4,5	5,7	6,1	3,3

(%) = change over September 1979 quarter.

BUILDING SOCIETIES

OK for NCDs

Building societies are once again allowed to invest in negotiable certificates of deposit (NCDs). Registrar of Financial Institutions Wynand Louw has yielded to representations made by the Association of Building Societies and amended the definition of prescribed investments to include NCDs.

Bob Chester, assistant general manager of UBS, explains that the building societies lost the right to invest in NCDs around 1977, much to their disappointment. They had previously regarded NCDs as a useful item for maintaining flexibility in investment policy.

Building societies are subject to two sets of statutory requirements — liquid asset and prescribed investment minimums. They have to hold prescribed investments of not less than 10% of total liabilities to the public (excluded from the definition of liabilities are loans committed but not yet advanced). This requirement is actually more onerous than the liquid asset requirement. Jim Dodds, MD of Allied Building Society, indicates that the liquid asset requirement averages out at just under 8% for his society, and Chester confirms that the industry average can't be too far from this figure. In fact, NCDs do not qualify as liquid assets, only as prescribed investments: all liquid assets, says Chester, qualify as prescribed investments, but not all the latter qualify as liquid assets

Both lending and borrowing are currently at high levels, but there is a lag of as much as three months, in the case of loans on existing buildings, before loans approved are actually advanced. The problem lies largely in deeds office procedures and in delays caused by the current level of property sales.

Useful for long-term

Informed money market opinion holds that the concession is not actually worth very much short-term, but could be useful in the longer view. At present, NCD rates are relatively depressed because they are excluded from the lending ceilings applicable to, say, promissory notes and acceptances. And money is being channelled into NCDs because institutions are bumping their heads against these lending ceilings. Consequently, building societies are not likely to make much use of the concession in the immediate future. Moreover, rapidly increasing lending should, anyway, limit the amount of money available for NCD investment.

Long-term, though, the societies' renewed right to invest in NCDs could exercise an influence on the money market.

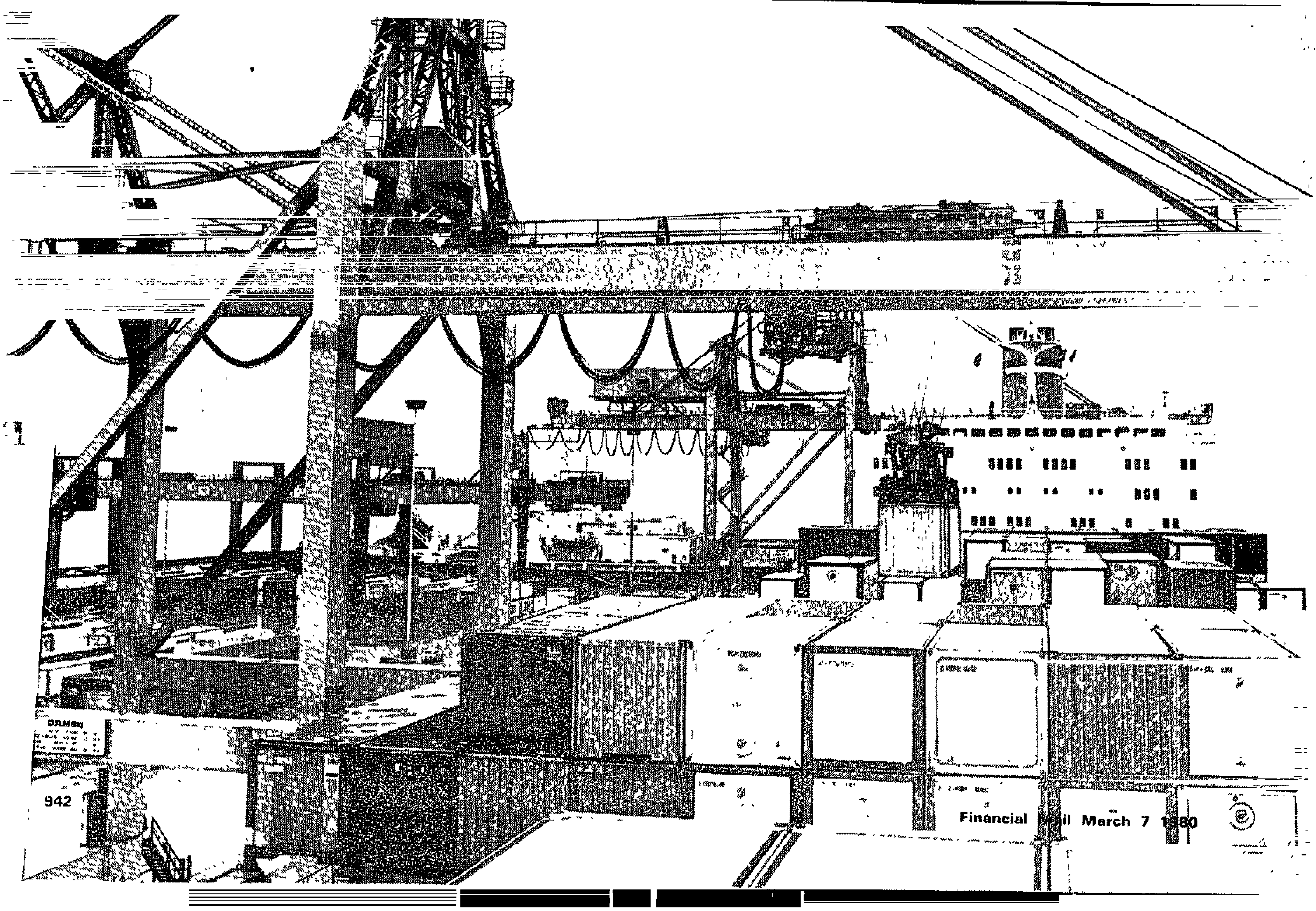
LONDON MONEY MARKETS

Record rates

London money markets are in the grip of the worst squeeze they have experienced for many years. Interest rates have been at record levels since November, when chancellor Sir Geoffrey Howe raised minimum lending rate (what used to be known as Bank rate) to 17%. This was part of his battle to squeeze inflation out of the UK monetary system and ultimately to pave the way for a regime of lower interest rates in which business can thrive. So far though, the plans have gone badly astray.

Sky high interest rates have failed to damp down strong demand for bank advances. In fact the January figures showed that, just as personal sector loan demand was beginning to tail off (several months later than expected), companies were taking up the slack instead. This was partly due to seasonal tax bills, but more significantly a foretaste of the heavy corporate sector deficit expected in 1980.

Furthermore, thanks to wage settlements running at almost 20% and doubled fuel bills, inflation in the UK is pushing 20% now Against this background, the 7% to 11% target rate of growth for broadly defined money supply, which was set when inflation was much lower, has turned into a ferocious squeeze.



DEBENTURES FM 7/3/80 58

Borrowers climb in

Private sector borrowers will be climbing into the capital market this year, if the new issues in February are anything to go by.

For in that month alone, a total of R50m was raised through privately placed debenture issues, including AECI's R30m loan (see table on next page).

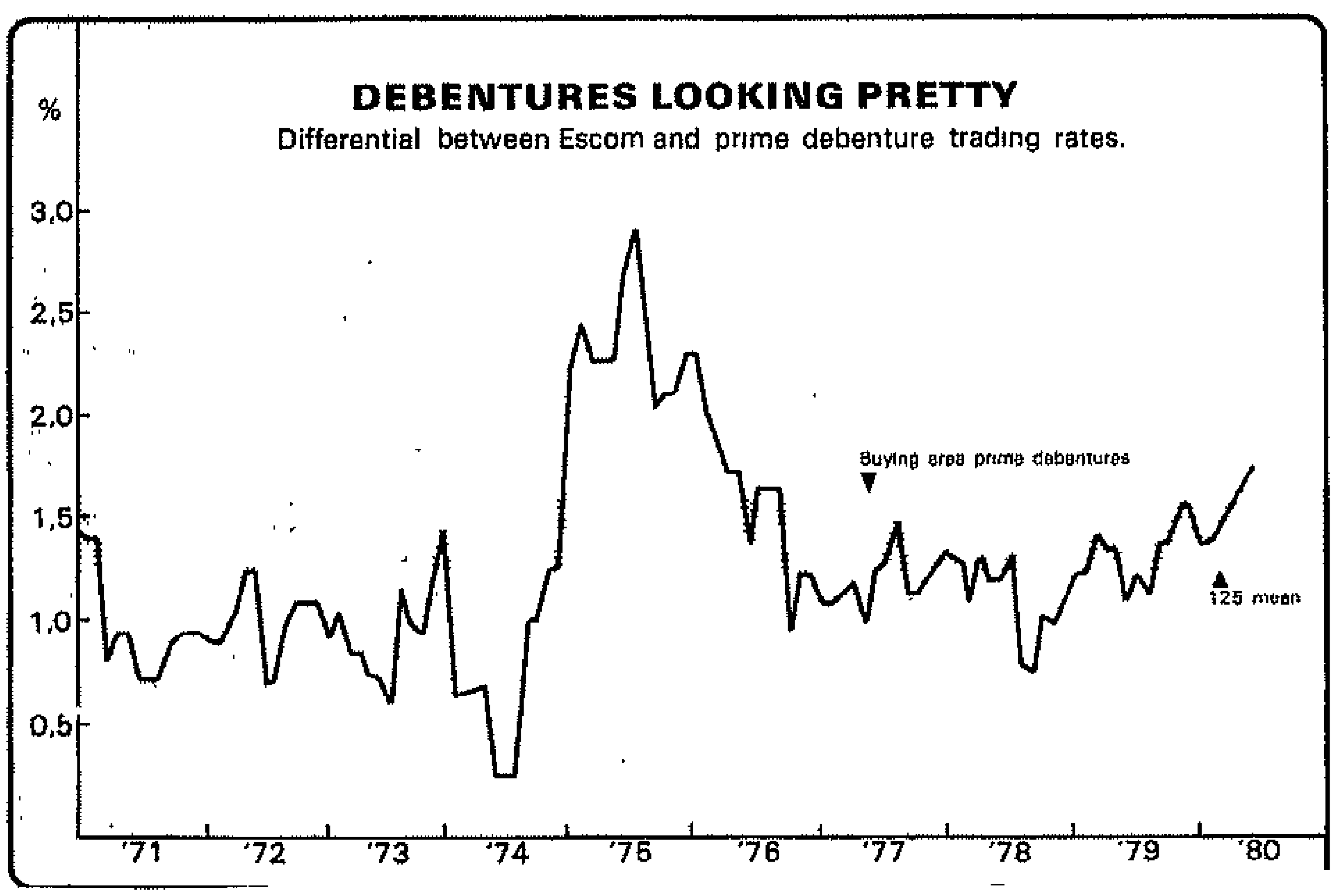
This week, Cape Wine & Distillers, with shareholders' funds of R140m, and which will be listed on the JSE next month, entered the market with a R20m issue. The loan, which is being placed privately by Senbank, has an average life of 17 years and carries an all-in rate of 11,06%. Indications are that it will be favourably received. Interest cover is five times and the rate of 11,06% is 170 points above the going Escom rate, which recently fell to around 9,35%.

Historically, investors have been keen buyers of debentures between a 125-point and 150-point spread above the Escom rate (see graph). On that basis, it could be argued that Senbank has perhaps overpitched the CW & D issue. However, Senbank's capital market manager, Peter du Toit, reckons the rate is "very fair in current market conditions."

Meanwhile, on the public sector side, Iscor's R50m issue, with a maturity of 21 years and offering an all-in rate of 9,63%, has been fully underwritten.

This is certainly encouraging for other capital market borrowers, since it signals a greater willingness on the part of the institutions to support long-dated stocks. Until mid-February, investors appeared to be maintaining a distinctly cautious stance towards public sector primary issues.

But there now appears to be mounting evidence that long-term rates will soon begin easing again under the weight of rising liquidity.



DEBENTURE ISSUES

Name of borrower	Amount of issue	Coupon rate	All in yield	Average life (yrs)	Issuing house
DEBENTURES					
Anchusa Holdings	R6,0m (Unsecured)	11,20%	11,20%	13,11	Board of Executors
AECI	R30,0m (Unsecured)	10,90%	10,97%	15,5	UAL, Barclays
Plate Glass & Shatterprufe	R10,0m (Unsecured)	11,00%	11,07%	12	Barclays Hill Samuel
General Fraction Holdings	R4,0m (Unsecured)	11,20% 10%	11,28% 10,12%	9,4 4,9	Hill Samuel
Cape Wine & Distillers	R20m (Unsecured)	11%	11,06%	17	Senbank

The other major public sector borrower due this week is Cape Town. The city will be looking for R15m and will take up an additional R3m itself for secondary market trading. The issue, to be privately placed by Senbank, will probably offer an all-in rate of around 9,45%.

Over the next few weeks, until liquidity expectations are clearer and the budget borrowing requirement is known, the timing of new issues may become a crucial market factor.

(58) FM 7/3/80

MOSES MAUBANE

Changing the gloomy picture

Moses Maubane, executive director of the black chamber of commerce, the National Federated Chamber of Commerce, looks at the suggestion that black businessmen should move into the country's traditional white CBDs.

Numerous studies have been done on the competitiveness of black business. The results have confirmed what is only too well-known to blacks — that some 70% to 80% of their custom finds its way into white stores.

In terms of rands and cents these figures are staggering. It is estimated that in 1980 the disposable incomes of blacks of over R9 000m will form nearly 40% of SA's consumer market. But black business's share will be a mere R1 800m.

The only way in which black business could benefit and thereby recoup the loss of custom to the white CBDs would be to move into these areas themselves. But I cannot see a wholesale flocking into the white areas by black business unless certain prerequisites are met, among them the assurance that blacks will be treated on an equal basis with other whites in all matters affecting their business.

A more logical approach would be simply to open the CBDs to all racial groups. But were this to be done, would organised black commerce accept free entry into the CBDs by them as desirable?

Not necessarily. Desirable as it might seem at first glance for blacks to be accorded trading rights in the white CBDs, a deeper assessment of the situation brings a contrary view. The mere right to trade in the CBDs by blacks would not afford any greater advantages than they now have unless this were accompanied by a complete change in all the laws and other impediments hampering the operations of black businesses.

For one thing, black business must be allowed to operate under a system of free enterprise. One of the assumptions I frequently hear coming from white South Africans is that because SA's economy is based on the free enterprise system, it therefore follows that all business in the land operates under this regimen. Nothing could be more misleading.

Free enterprise and everything it stands for, is a luxury enjoyed only by privileged white business. To black business, free enterprise has never been a reality. What is seen operating in black areas is anything but free enterprise. And this is not an exaggeration.

The role of blacks in the economy of the land is and always has been a subservient one. Indeed, black business is still conceived as primarily a market for white business. The contribution black business could make in the broader economic welfare of the country is therefore yet to be recognised in tangible ways by the powers that be, as well as by the white private sector.

The sooner this recognition comes, the sooner will black business take its rightful and long overdue place in the economic affairs of SA.

A priority is that the remaining shackles imposed on black business by the provisions of the Bantu (Urban Areas) Consolidation Act be removed as a matter of urgency. This legislation is clearly discriminatory and was devised specifically to keep black business within certain bounds, making it incapable of normal development.

There is no parallel legislation governing other racial groups in SA. Without doubt, this legislation has had a far worse effect on black business than the white private sector perhaps realises

In addition, the tax law enacted specifically for blacks is, to say the least, iniquitous The fact that the black taxpayer is taxed at a higher marginal rate and also that he becomes liable for tax at a lower earnings bracket, shows the discriminatory nature of the law. Furthermore, the tax system does not take the personal circumstances of the taxpayer into account. There is no discrimination between married and unmarried persons. Why cannot blacks be taxed on the same basis as other South Africans?

The SA government has in recent times been accused of interfering in the economy. But this trend to "creeping socialism" on the part of the government has been more pronounced in black areas. For many years, businesses like breweries, hotels, cinemas and bottle stores have been owned by the government through its various administration boards.

Nothing could do more harm to the promotion of free enterprise than this type of encroachment. We are still waiting for government to show its declared intention of moving away from this kind of socialism by transferring as quickly as possible, such businesses to qualified black business people.

Another factor: the ownership of property is the cornerstone of the free market economy. The fact that blacks still cannot own property in their own and other areas means that they cannot therefore participate meaningfully in the economy.

Another strong point against wholesale movement into the CBDs by blacks is the need to develop their own communities economically. Little benefit would be gained in the long term were blacks to abandon their own areas.

What black communities need, in addition to what has already been said, is an accelerated programme of diversification. There is a need to move into new lines of business, particularly into the manufacturing and related spheres.

Standard sees boom

(58) RDM 7/3/80.

By HAROLD FRIDJHON

THERE is little doubt that the economy is transforming itself into a fully fledged boom and is generating a growth rate well in excess of 5% for the year, says the Standard Bank's Economic Review for March.

Barring a political disaster in Southern Africa or the unlikely emergence of a severe world recession, the economy is set for an acceleration in activity of the kind last seen in 1974. Even before the Budget, which is expected to provide further modest stimulation of the economy, consumer demand has been soaring.

This has brought some of the stresses and strains which are typical of the second stage of an expansion period. These include:

- A shortage of skilled labour.
- A shortage of housing.
- A threat of further inflation as demand pressures firming prices.
- Low stocks in commerce and industry.

The review says that capacity in industry is not yet a constraining factor, but this might soon prove to be inadequate.

On the other hand "there are few signs of the emergence of other bottlenecks . . .that have choked previous periods of rapid growth".

Because the current account surplus has been growing instead of shrinking —as would be expected when imports start increasing — domestic liquidity remains high with interest rates extremely low. And there are no transport bottlenecks and choked harbours which have been a feature of other upturns.

The absence of these traditional bottlenecks should make it possible for the economy to grow faster and for a more extended period than would otherwise have been the case.

The key to growth has been the take-off in consumer sales. They performed strongly in the second half of 1979 and "it appears that they have increased at a pace a little short of spectacular during the first few weeks of this year".

With few exceptions this strong revival trend runs through the entire retail sector, with consumer durables — mainly cars and furniture — leading the field, followed by sales of clothing and footwear and going into the department store trade.

Significantly, food sales are also on a rising trend for the first time since 1976. This, says the bank, partly reflects improved conditions in the black job market.

The strength of this revival in consumer demand appears to have taken both merchants and their suppliers by surprise, and the growth in sales might have been higher had it not been for widespread shortages of stocks. Commercial and industrial inventories have been run down to very low levels.

This has led to a significant increase in the demand facing the consumer and intermediate goods industries and some industrial sectors may before long begin to feel the effects of overheating.

"By the end of last year, unused industrial capacity was a mere 13% (for technical reasons that level rarely drops below 10%) and a rapidly growing demand for new buildings, machinery and technical staff must be expected to emerge."

Added to the impetus given by consumer demand are the trends in the building industry and the prospects of a better-than-normal agricultural harvest and the continued good performance of the non-gold mining sector.

The most urgent problem facing the economy is the inadequate supply of skilled labour. During the recession there was large-scale shedding of skilled staff, including the drain of talent to overseas countries, as well as a reluctance to train black labour for skilled jobs. And now South Africa is reaping the whirlwind.

7/3/80 STAR 58

in bond decision

Two of the largest banks in South Africa — Standard and Barclays — will not be selling bonus bonds over the counter

Last week the Minister of Finance announced that three commercial banks in South Africa — Trust, Volkskas and Nedbank — would sell bonus bonds. But the omission from the list of Standard and Barclays has led to suggestions that these two banks did not want political reaction from overseas shareholders

However, senior executives of the two banks have said the "political impact" and the "moral aspects" of selling bonus bonds had nothing to do with their decision

The two banks took the view that because of the wide network that the Post Office had throughout the country, it would make little economic sense for them also to set up special bonus bonds counters in their own bank network

Bonus Bond sales top R135-m

STAR 7/3/80

SR

Pretoria Bureau

Bonus Bonds have taken a highly respectable position in the list of bonds accepted by the Treasury.

And with the recent announcement that Bonus Bond prizes would be increased this form of investment is likely to become even more popular with the public

In the 11 months up to the end of February, Bonus Bonds worth R135 289 975 were accepted by the Treasury.

Massive share fraud feared

POLICE AND JSE PROBE SUSPECTED THEFT OF SCRIP

POLICE and the Johannesburg Stock Exchange are investigating what is feared to be a multimillion rand fraud involving stolen share certificates marketed through the exchange.

BY GEOFFREY ALLEN AND KEVIN STOCKS

Both the police commercial branch and the stock exchange confirmed the investigation, but stressed they did not yet know what exactly had happened.

Amid the confusion that broke out on Thursday when the stock exchange committee first learnt something was seriously wrong, it issued a circular to all brokers asking if they had handled certain "blue-chip" shares or dealt with a businessman called Howard J Williams.

Mr Williams is thought to have been an investment adviser whose letterhead proclaims he operated internationally and gave a post office box address in Sandton.

A police spokesman said it was not certain whether Mr Williams was still in South Africa.

The stock exchange committee is waiting to interview South Africa's first woman member of the exchange, Mrs Ann Mackeurtan, who is in Hong Kong, but is due to return tomorrow.

A leading broker told the Sunday Times that the investigation involved the possible theft and subsequent resale of share certificates from "nearly all the blue chip issues" including those of Anglo American Investment Trust, West Driefontein, Gold Fields of South Africa, Rooiberg and Tavistock.

"The shares were sold in good faith by the stockbroking firm S P Reid and Mackeurtan," said a senior stock exchange source.

"Sales took place in September and October for a total of about R1-million.

"Since then the market price has risen and the shares are now worth about R1,5-million.

"The stock exchange is urgently investigating whether any similar deals were handled by other broking firms.

"If they were, the amount involved could rise considerably.

"Mrs Mackeurtan was the member of Reid and Mackeurtan who handled the transactions, on the instructions of a client, and the stock exchange committee should know more about what happened when they have spoken to her."

Missing

Stock exchange sources said the possible fraud had been reported to the committee and the police on Thursday last week by Reid and Mackeurtan after inquiries from investors whose shares were missing and af... pany who became aware of mysterious dealings in their shares.

The sources said the alleged fraud did not involve the theft of "safe-custody scrip" from brokers as happened in the multimillion rand Victor Poplak and Cecil Chweidan scandals.

What seems to have happened is that someone found a way to obtain transfers through various share registers — possibly through forged transfer certificates and this aspect is still being investigated.

A spokesman for a major share registrar company said it was possible that scrip could be stolen through forged transfer certificates.

"Although brokers' stamps are usually required certifying that shares have been bought and sold there are occasions when no broker's signature and stamp are required," he said.

Insurance

The President of the Johannesburg Stock Exchange, Mr Richard Lurie, said there was no chance of investors whose shares might have been stolen losing their money through the affair.

He pointed out that the stock exchange had more than R5-million available from insurance and a fidelity fund to cover the public against losses through fraud.

A few years ago a fraud of this magnitude could have led to the bankruptcy of broking firms, as happened after the Chweidan and Poplak affairs, when the firms of Wilson and Mansfield and Louis Witkin, Farber and Co went insolvent and another firm, Gilbert Smith and Yule was expelled from the Stock Exchange for contravening its rules.

However, as a result of those frauds, the Stock Exchange greatly increased both its insurance and its fidelity fund.

Mrs Ann Mackeurtan ... returning from Hong Kong tomorrow

The night Ann splashed out in a riot of colour

Sunday Times Reporter

ANN Mackeurtan — the woman flying back from Hong Kong to help an investigation into an alleged R1-million share fraud — has long been a colourful personality.

In 1977 she broke into the heart of male chauvinism when she became the first woman on the Stock Exchange floor.

Three years ago in Plettenberg Bay she threw a party which ended with the guests daubing the house in a psychedelic riot of colour.

She first entered the Stock Exchange in January 1977 and her appearance on the hallowed floor drew a hush from members.

Later she and her husband, Mr George Mackeurtan, were divorced but Mrs Mackeurtan continued to work for her husband's broking firm.

The Plettenberg Bay party occurred when Mrs Mackeurtan went to the sleepy coastal holiday resort planning to buy a house.

She planned a lavish party in the house, but few of her invited guests arrived so she went to the nearby Beacon Island hotel and invited everyone in the bar to come to her party.

Toward the end of the evening she told the guests she intended painting the house and asked if they would like to help.

They did and the house was daubed in many colours, but in the end she never bought it.

SUNDAY TRIBUNE, MARCH 9, 1980

THE JSE REPORT

Diagonal Street

JSE shrugs off Mugabe's big election win

Tribune 9/3/80

CAUTION over the Rhodesian election situation cooled off this week and although not considered a favourable result world-wide and in South Africa, Diagonal Street took the news in its stride and settled down as though nothing had really happened.

This is a different story from last week when there was a good deal of selling which wiped millions off market values.

Mugabe's landslide victory, the size of the majority anyway, came as a shock to dealers in Johannesburg. But the moderate line that Mugabe has suggested he will take allayed some fears and the market began to rise from Tuesday.

The gold board hesitated but then went back to act on fundamentals with gold's stance above the 600 dollar area unshattered.

Some copper shares took a knock and Lonrho eased on the election results but generally the reaction was not as bad as could have been expected.

By Thursday the JSE index for golds had risen about five points to 552 but came off again on Friday as gold shares reacted to a lower gold price.

There was nothing frantic about activity in industrials from Tuesday onward, although a slightly brisker trend was seen in the eight point rise of the industrial average to 632.

Good to excellent results continue to stream in from companies reporting to the end of December, notably this week from Samancor, Powertech and Altech, and Standard Bank.

So with the industrial market cautiously settling down to post-Rhodesian events there could be a short period of consolidation ahead of budget proposals in two weeks time.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 5

13010 BACHELOR OF ARTS YEAR : 1 13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
1594S4V	MCCARTHY	MELISSA JANE	911102	MATHEMATICS IA	3	(50)	1	1594S4V
1529G5R	MEHL	ANNETTE ELISABETH INGRID	106102 905102 914103	GERMAN INTENSIVE CHEMISTRY IB ANIMAL BIOLOGY (HALF COURSE)	ABS F F	 (27) (39)	7	1529G5R
1570930	MERCURIO	GIANCARLO	110101	HISTORY I	ABS		1	1570930
1557470	MICHAELS	KAREN	003101 ~~004101~~ 107101	SOCIOLOGY I ~~PSYCHOLOGY I~~ ENGLISH I (PRE-1980)	ABS ~~UP~~ 3NX	 ~~(50)~~	1	1557470
1584692	MITCHELL	JANE	118101	CULTURAL HISTORY OF W.E. I	UP	(50)	1	1584692
1578I5N	MORRIS	CATHERINE MARIA	004101 107101 115103	PSYCHOLOGY I ENGLISH I (PRE-1980) ITALIAN INTENSIVE	UP 3NX F	(59) (48)	1	1578I5N
1501R0P	MORT	MELISSA RUTH PRINCE	114101	RELIGIOUS STUDIES I	UP	(62)	1	1501R0P
1507R3V	MULLER	SUSAN FLORENCE	110101	HISTORY I	UP	(50)	1	1507R3V
1575210	MURRAY	ESTELLE	116120	DRAMA I	ABS		1	1575210
1379836	NAKTATEN				3NX		7	1379836
					2- F	(61) (47)	1	1575600L
					~~UP~~	~~(55)~~		~~1559244~~
					UP	(52)	1	1579I3V
					~~UP~~	~~(57)~~		~~1558784~~
					S	(52)	7	1621I6N
					~~3NX~~ F	 (40)	1	1541R7V
					UP UP	(50) (50)	1	1542860
					F	(49)	1	1561341
					3NX UP	 (50)	1	~~1501541~~
					F UP	(40) (54)	1	1334066

UCT

A good year for Barclays

STAR 10/3/80

(5-8)

By Colin Campbell

Turnover recorded by Barclaycard in the 15 months ended last December soared ahead f om R233m to R532m, or an annualised increase of 82,7 percent, today's annual report of Barclays shows.

In an annual report which records all-round growth by all its divisions, Ba clays discloses that total deposits at balance sheet date were R4 486,8m, of which time deposits accounted for R1 694,7m and current deposit accounts R1 349,6m.

EXPANSION

As reported earlier, disclosed profit of the group for the period under review was R62,6m, which translates into net earnings of 117,6c a share, from which a total payment of 50c a share was made. Total assets at balance sheet date were R6 808,4m — R5 691,9m previously.

The group is looking for expansion in 1980 and an increase in profitability. The group's excess capital in relation to Banks Act requirements was R39,7m at reporting date against R23,6m previously, which puts Barclays in a particularly strong position to capture the business which should flow from an even healthier economy.

Through the sale of 2m shares last year, tye overseas holding in Barclays is now 60,03 percent (63,8 percent previously). Overseas has undertaken to reduce nearer to the 50 percent level its holding by 1986.

Barclays Merchant Bank again produced record results, with after tax profits of R6,4m for the 15 months period. On an annualised basis, profit was 78,2 percent higher.

On an annual basis, group return on shareholders' funds was 16,7 percent against 14,6 percent previously.

Undoubtedly there will be a further improvement this year.

The annualised dividend returns 5 percent on the current share price, given the prospect of further growth within the group, and the outlook for the economy, Barclays — even on a 5 percent yield — could still have some steam left in it. It remains in any case, a solid hold.

Gold could mean rise in gilts

RDM 10/3/80 58

By HAROLD FRIDJHON

IF THE gold price is entering a downward phase as the weekend quotations suggest that it is, this could have profound psychological effects on the gilt-edged market because a lower price for gold might signal an end to the excessive liquidity which has been forcing rates downwards.

At the close on Friday, rates on the secondary market showed a tendency to firm with Escom's Loan 142 moving up from 9,33% to 9,40%. Most dealers, however, are apt to disregard current prices because they maintain that apart from isolated deals, the institutions are holding aloof from the market ahead of the Budget which could have profound implications for the gilt market.

The Minister of Finance might relax his regulations governing the quantity of prescribed investments for insurance companies and pension funds. This could deflect funds which might otherwise go into gilts and semi-gilts.

He might also relax exchange control regulations so that excess liquidity might be diverted abroad, in which case rates here would certainly rise.

It is these imponderables which are making the market interesting and a little nerve-racking for those who have to fix rates and place issues. A case in point is the Cape Town loan which Senbank is placing. The R15-million issue is being divided into two loans — a 20-year with a 9,35% coupon giving an all-in rate of 9,44% and a 12-year with an 8,90% coupon giving 9,02% all-in.

One market source described the long-term rate as being "very fine" while another regarded it as being "very generous".

It depends on what is a fair price for Escom — if Loan 142 is priced at 9,33%, the rate is indeed generous because on the five-point differential the rate should be around 9,40%. On the other hand, on Friday's price for the Escom stock, the rate is very fine.

The 12-year leg of the Cape Town issue looks good value, so there is little doubt about Cape Town's getting its money. As one market source suggested, the institutions at present would rather go for a 12-year than a low-rated longer term because sooner or later rates must begin to rise again.

Pitching the rate for the Johannesburg issue is going to be tricky. It is due in the second half of this month — just ahead of the Budget — and a view will have to be taken with one eye on the market and the other squinting on Senator Horwood.

Another key to the future of rates will be the Escom issue in the second half of April. By then the Budget will be a thing of the past and investors will have a shrewd idea of what is happening to the gold price.

A generous rate has been fixed for the R20-million debenture which Senbank is placing for Cape Wines & Distillers. The coupon is 11%, giving 11,06% all-in. The average life will be about 17 years.

Friday's Treasury bill tender reflects accurately the present hyper-liquidity. The rate came back sharply to 4,205% from 4,27% with the tender attracting R188-millionn for the R50-million on offer. Tenders at R98,95% were allotted in full. The National Finance Corporation's call rate dropped from 4,03% to 3,95%.

RAND DAILY MAIL, Monday, March 10, 1980

Markets learning to live with Mugabe

RDM 10|3|80

By HAROLD FRIDJHON

THE JSE has taken the accession to power of Mr Robert Mugabe with an equanimity and a superficial calmness which is out of character with the institution's customary tendency to over react to any situation.

While part of the credit must go to the PF leader who diplomatically made all the right soothing noises which appear to have allayed white fears, not only on the north bank of the Limpopo River but further south, perhaps the real reason why markets generally have remained steady is because investors are firmly locked in.

If the private investor had wanted to climb out of the market because he was distrustful of the ultimate future what would have been the point of selling? And how would he get his money out, assuming that he took his profit and decided to call it a day?

As for the institutions, they are located in Southern Africa and they have no choice. Their funds must be invested where their investors — their policyholders and the pension fund members — are domiciled.

There was no market hysteria because there was no point in panic selling. People have learned to live with a situation, and they are hoping for the best.

The overseas investor is a different kettle of fish. Last week saw what appeared to be a massive selling of gold and allied shares. Prices dropped and the financial rand's discount widened as the supply of the share-dealing currency exceeded supply. The selling might have been caused not by the political situation but by the apparent weakness of the gold market.

Gold does appear to be sliding. All the reasons which had been dreamed up during the speculative frenzy which took the price to unprecedented heights appear to be falling away.

It looks as if there will be an

Gold does appear to be sliding. All the reasons which had been dreamed up during the speculative frenzy which took the price to unprecedented heights appear to be falling away.

It looks as if there will be an
economic solution to the Iranian problem. The world is accepting the [illegible] in Afghanistan. The oil price is poised to [illegible] than it [illegible] further. And the world recession might not be as deep as had originally been feared.

And then with ever climbing interest rates in the United States and the UK, and with rates tending to harden in other areas too, people who have been trading gold on margins are finding that unless the price moves decisively, speculating is too costly for profit.

On this line of reasoning, gold has more bearish than bullish factors at present. This may be the reason why overseas investors are disinvesting. They are cashing in and taking their profits. And those who really believe in gold but who have fears about African politics might divert some of these profits into holding physical metal which can be kept under lock and key outside Africa instead of holding African based paper.

But for South Africans there is no choice. They are laagered here with their assets.

The questions that must be asked, however, are: Is this Hobson's choice as hopeless as many might think? Is the accession of Mugabe to power the

Beginning of the end? OR is it

the start of a new, and possibly more prosperous, era for Southern Africa in general and for South Africa in particular?

I am one of the optimists and if I had a large portfolio I wouldn't be among the sellers. On the contrary, I believe that now is the time to buy and not to sell.

Rhodesia and South Africa are different from any other African countries. The white entrepreneurs are not colonialists, they are investors who have created the means of production which have raised the living standards of the people above those obtaining elsewhere on the continent. There are distortions in these standards, some people in these two countries live very well while the majority are just getting by.

But the potential is there and [illegible] [illegible] [illegible] [illegible] the country [illegible] without the [illegible] and the know-how and the capital that will be [illegible] hope of that real potential being achieved for many generations.

My forecast is that Rhodesia is poised for the period of greatest economic and growth because internal demand will explode and the industrial sector will be hard put to meet that demand.

And if South Africa can shuffle off the many restraints on the use of labour and raise living standards to meet the expectations of all its people this country, too, will expand faster than even the present [illegible] [illegible] [illegible] [illegible] step [illegible] that [illegible] I will [illegible] I'm [illegible] [illegible] [illegible] [illegible] [illegible] — [illegible] for all and not for some becomes the new slogan.

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BANKER HOLDS THE ACES

and to decide exactly how to play these cards.'

Eyes gleaming with optimism, he moderates — or perhaps justifies — his confidence by pointing out that neither he nor Senator Horwood believe South Africa need depend on a continuing high gold price to become 'the economic miracle of the 80s.'

'LAUGHED'

He said: 'People laughed when Dr Piet Koornhof used that phrase some weeks ago, but it is true, it is possible. All we need is hard work and good judgment and we can overcome any political problems.

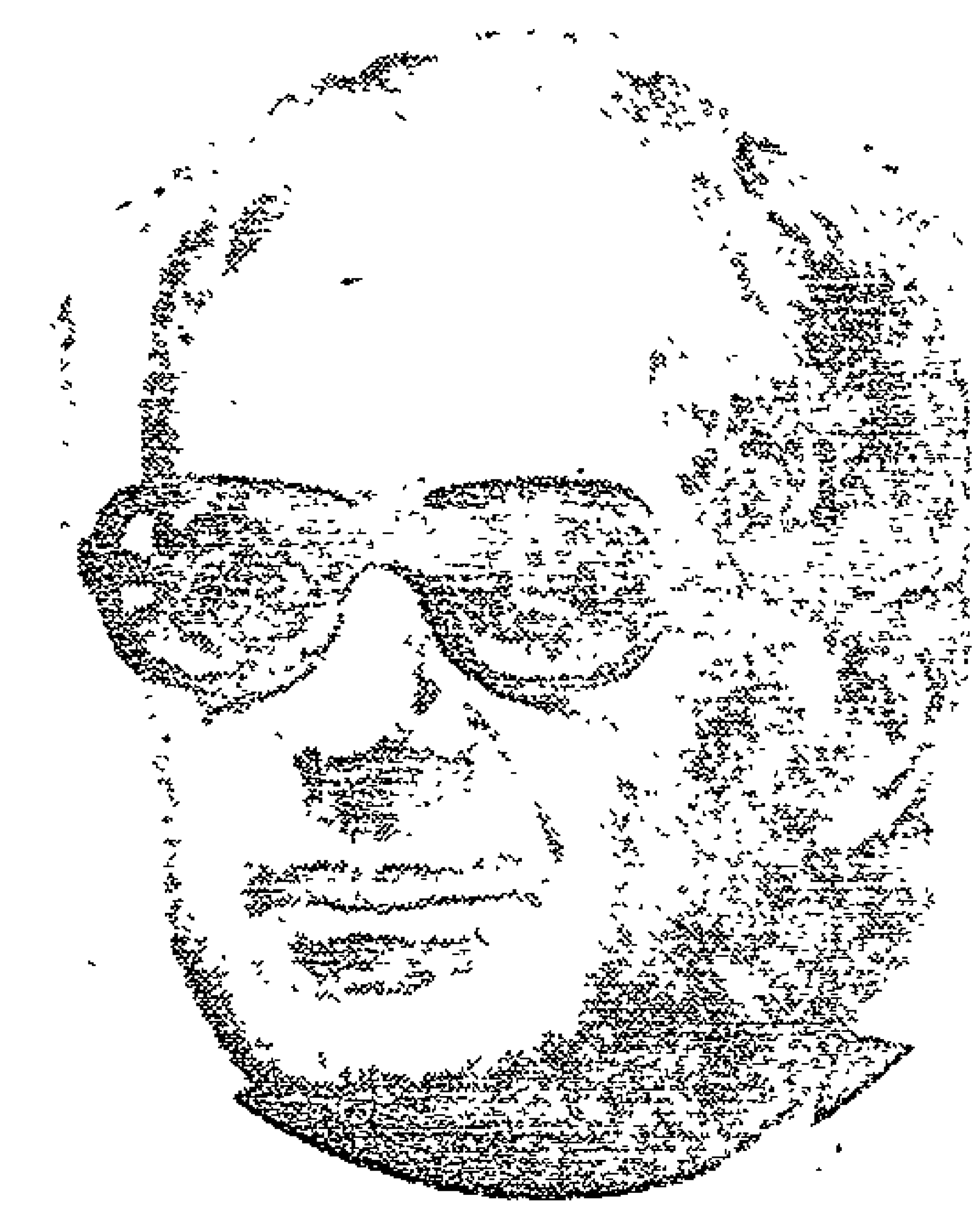
The concept of economic co-operation in Southern Africa, with South Africa at the hub, the pragmatic realism of 'mutual need,' delight Dr de Kock to the exclusion of almost everything else, and attempts to steer him to other topics failed dismally.

'I remember the story of two primitive tribes in a state of outright war, who nevertheless sent trade emissaries to a certain clearing in the jungle.

'One group would move to the centre of a clearing place their goods on the ground, and withdraw.

'The other group would then go in, leave their goods on the ground and take those of the other tribe.

'War was forgotten in their mutual need for the products of the other — and this is the story of Southern Africa.



'Mozambique has a Marxist Government, but this does not stop us from co-operating. What will happen in Zimbabwe now we don't yet know but I can assure you that economic symbiosis will continue and could even overcome political differences.'

EXTRA MONEY

South Africa was almost unique in having a surplus on its current account, and this extra money could be used to radically improve living and working standards in the country, he added.

'I can see great opportunities for blacks, coloured and Indians, with the manufacturing industry providing most jobs. And please don't think this is the false optimism of a patriotic South African.

'There is a constant stream of foreign visitors to this country looking at investment possibilities. They realise that a lot of the world's minerals come from the Republic. They know that South Africa is going to do well in the next 20 years.'

SECRET

Dr de Kock has the air of a man nurturing a fabulous secret. He smilingly hints that this year's Budget, due in about two weeks, 'is going to be one of the most important in South Africa's history' and will reflect some of the deliberations of the new committee.

But he refused to give details, delighting not only in the secret itself, but in the keeping of it.

The formal details of his private life are known — he married in 1949, has two sons and one daughter, he plays golf and reputedly does much of his economic thinking and negotiating with a club in hand.

BOEREORKES

He is inventive and humorous enough to have paid his way through Pretoria University playing a concertina in a boereorkes.

The Governor of the Reserve Bank, Dr T W de Jong, is his uncle. The less formal details he keeps closely guarded, believing, perhaps rightly, that they are his own concern.

He is a practical man. Fingering the lapels of the conservatively striped suit he calls his 'banker's overall,' he says quietly:

'We are indeed fortunate in this country. We have riches, we have manpower; we have the leadership of men like Senator Horwood, who is rated by international financiers as probably the best finance minister in the world.

'Can we ask any better recipe for our future?'

Barclays' R40m excess capital

58

RDM 11/3/80

By HAROLD FRIDJHON

BARCLAYS National Bank group's excess capital at the end of December 1979 in terms of the Banks Act requirements was R39,7-million against R23,6-million at the end of September 1978, says Mr Bob Aldworth in his managing director's review which appears in the bank's annual report and accounts.

Share capital and reserves at the end of the 15-month period amounted to R299,8-million.

Says Mr Aldworth "Despite this large excess capital position, it is particularly pleasing to report that on an annualised basis, the return on capital employed rose to 16,7% from 14,6% in the previous year."

He comments that the results owe much to the favourable lending conditions which prevailed during most of the period and to a general upswing in the economy which led to a continuing high demand for consumer credit and leasing finance.

With the implementation of the recommendations of the De Kock Commission, foreign exchange earnings were adversely affected by lower exchange rate margins. Earnings have subsequently returned to satisfactory levels.

In contrast with 1977 and 1978 there had been a tailing off in the number of insolvencies and company failures. This resulted in a lower level of bad debts.

Dealing with divisional activities, Mr Aldworth reports that Barclaycard has 450 000 cardholders and more than 40 000 shopping outlets.

Turnover reached R532 million on an annualised basis which was an increase of 82,7%.

The name of the factoring and leasing division has been changed to the industrial finance division.

The leasing division bought equipment in the 15 month period amounting to R175-million, an annualised increase of 40%. Receivables rose to R347-million and unearned finance charges are now in excess of R80 million.

At Barclays Western Bank increased activity resulted in total assets rising from R474-million to R691-million and in taxed earnings of R11,8-million against R7,2-million.

Barclays Merchant Bank made taxed profits of R6,4-million for the 15 months compared with R2,9-million the previous year.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS

12010 LOWER DIPLOMA IN LIBRARIANSHIP YEAR : 1

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UCT

RDM 13/3/80

New theory on R1m share swindle

58

By SIMON WILLSON
Financial Reporter

MARKET speculation about how the alleged R1-million share fraud was pulled off at the Johannesburg Stock Exchange now centres around a cunning change-of-address hoax by a confidence trickster.

Brokers yesterday zeroed in on what they see as the only way a fraud of this type could have been operated.

They surmise that the con-man, who identified himself to broking firms as a Mr Howard J Williams, scanned the share registers of the companies whose shares were involved in the alleged fraud and picked out suitable names of persons (either companies or estates) with shares in these companies.

"Mr Williams" then notified the companies that these persons had changed their addresses and gave a series of box numbers as their new addresses. He subsequently advised the share registrars that the certificates had been lost.

He fraudulently completed the legal formalities necessary to get new certificates — to replace those which he said were lost — and when these new certificates were issued he tendered them for sale at the broking offices involved.

Yesterday Mrs Ann Mackeurtan, one of the brokers who were duped by the con-man, said the change-of-address theory was "almost certainly" the trick used by "Mr Williams" to fool broking firms.

"The whole incident shows that there are tremendously big loopholes in two central areas in stockbroking.

"Firstly, there are gaps in the insurance procedures which are available to help to indemnify people who say they have lost their certificates and, secondly, in the companies which deal with people like this character without checking details," Mrs Mackeurtan said.

She forecast intensified security measures at all broking firms in the aftermath of the fraud and the top-level investigation by the police and the Stock Exchange.

"The result of this con-trick is going to be hard on the broking client. Brokers [illegible] talked to since this happened have been unanimous that we've all got to tighten up our precautions in every respect.

"It's going to mean longer procedural formalities for broking clients and more checking up on their backgrounds.

"Any new client who walks into my office from now on is going to be carefully screened. We normally deal with clients who have been passed on by friends and associates, and calls to their bank managers are often enough to establish their good faith.

"We usually ask for two references, but now we are going to need at least five and we will have to make additional checks," Mrs Mackeurtan said.

Financial Mail

(58) FM 14/3/80

HE RAND

et's quit this stalling

As monetary and fiscal policymakers estle with Budget measures in Pretoria d Cape Town over the next two weeks, ey have another crucial aspect of policy is year with which to grapple — the alue of the rand.

For if the gold windfall has shown us ything, it is that the exchange rate has important bearing on domestic economic policies.

Bankers, economists and businessmen whom the *FM* spoke this week all knowledge that relationship — although ne are able to be specific on its precise ture.

They differ over what exchange rate licy ought to be in relation to monetary d fiscal policy — especially in the light different views over the future trend in he price of gold. But the fact of the elationships is widely accepted.

It is best seen through the rising mount of liquidity in the domestic economy, which is forcing down domestic interest rates while those abroad are so much gher. These higher foreign rates should stead be attracting SA's surplus funds.

The reason that this is not happening is ue to two factors.

One is exchange control. The other is hat the trade surplus is being inflated by exchange rate that does not reflect the rength of the country's main export — old

Artificiality illustrated

The artificiality of the situation is illustrated by the 2,5% forward dollar discount on the rand. This should reflect the difference between interest rates here and abroad. Yet the actual differential is now ore than 10%.

If the spot price of the rand had been llowed to rise commensurate with the trength of the trade surplus, as the dollar oceeds of gold sales would purchase orrespondingly few rands, there would be uch less liquidity in the domestic financial system. Local interest rates would en be higher and the difference between ates here and in New York much less.

In that event, the country would not be experiencing the huge drain on the reserves of the switching of import finance from abroad to SA banks and the financing of exports locally.

Of course, the rand has been allowed by the Reserve Bank to rise slightly in recent weeks — although this week's reaction in the gold price appears to have interrupted the trend.

Some businessmen, especially exporters, and bankers believe that in view of the uncertainty over the gold price — and hence likely volatility of gold earnings this year — the Reserve Bank's conservative policy is the correct one.

In particular, they claim that if the rand is allowed to rise too fast, manufacturing exports will be priced out of foreign markets.

They point out, moreover, that in response to severe anti-inflationary measures in the US and elsewhere, the dollar

Reserve Bank governor Bob de Jongh . . . protecting exporters

could strengthen later this year and a decline in the gold price set in. To them, the difficulty in being able to quantify the decline suggests that a more rapid rise in the rand would be foolhardy.

Of course, SA exports goods other than gold, and some of them are sold in markets where price is a major consideration. At present, for example, SA ferrochrome exporters are finding the going tough, after a very good run during 1979. And agricultural exporters too could find themselves in a more difficult position if the rand moves up rapidly.

At the centre of this argument is the assumption that the present level of gold earnings represents a windfall that must not be allowed to interrupt sound long-term economic strategy involving the encouragement of secondary manufacturing exports.

Short-term disadvantages — such as the liquidity build-up and consequent inflation — should be stoically borne.

The last week has certainly shown the unpredictability of bullion and fortified the Doubting Thomases. No matter that gold is unlikely to slip, for any length of time, below a level which assures the maintenance of a strong current account surplus. Psychological attitudes are deeply influenced by trends, rather than by absolute levels. So, while gold continues to slip, there is a chance that the trend will operate as a psychologically immobilising factor. This could affect not only the Reserve Bank's exchange rate policy, but also related fiscal and monetary decisions in the forthcoming Budget.

But in the view of the *FM* and some economists, that is a wrong and harmful policy.

First, even if the price of gold should decline to $400 an ounce — which implies about a 30% fall from current levels — the build-up of liquidity in the financial system will still prevent interest rate differentials narrowing.

And the amount of liquidity will be too large for the authorities to neutralise by selling large amounts of long-term stock — which they will have to do anyway.

Inflation will be inevitable. Already, according to JCI economist Ronnie Bethlehem, the year-on-year increase in the wholesale price index for imported goods (for January 1980 against January 1979) was a staggering 29%, against 13% for local goods.

This inflation, says Professor Roger Gidlow of Wits University, would be far more destructive to sound long-term economic export growth than the price disadvantage that exporters would suffer now if the rand were to appreciate more appropriately.

Far better than allowing the rand to appreciate too slowly, would be for government to assist vulnerable exporters by giving them additional fiscal relief in this month's budget. In any event, the experience of Germany and Japan suggests that strong currencies and buoyant exports are by no means incompatible. Industry simply becomes more efficient.

The second point overlooked by those who support the Reserve Bank's recalcitrance over the exchange rate, is that by allowing the rand to float (albeit according to a managed formula) does not mean that the country is locked into a particular policy. If permitted to do so, the rand will reflect market forces and thus be rendered a far more efficient instrument in the allocation of scarce resources.

South Africa has got to learn to live with earnings from a major export that are likely to fluctuate widely. Like any dealer in securities, it must learn to benefit quickly from a rising trend and protect itself from a declining one. The country will most certainly lose out if its authorities just close their eyes and hope if they wait long enough the fluctuations will disappear.

Pressure to spend more

Another point is that, by maintaining the *status quo* and allowing liquidity to build up in public sector coffers, is to invite pressures to increase government spending. The temptation could be just too much.

If that were to happen, we would be repeating Dr Nico Diederichs' mistakes of 1974-75 when his misjudgment seriously strained the resources of this country and forced us to beg cap-in-hand for loan capital abroad.

Some economists like Bethlehem and Gidlow believe that at the current price of gold — which if it persists suggests a doubling this year in the trade surplus — the spot price of the rand should be about 10% higher at $1.35 to $1.40.

That at least would bring the forward dollar discount more in line with interest rate differentials.

Barclays economist Johan Cloete is sceptical that even a 10% revaluation would be sufficient to reduce the inflation ratio significantly.

The *FM* believes that no one can accurately say what the price of the rand should be. It is a price only the market can reasonably reflect. Therefore government's policy of floating the rand and dismantling exchange controls needs to be implemented.

At a guess, there is probably sufficient steam under the rand to push it considerably higher than 10% if only the Reserve Bank would let go.

Certainly in determining monetary objectives and fiscal incentives for this year's budget, an appreciation of the rand of more than 10% ought to be allowed for. In view of the urgency of the problem, if the artificial restraint on SA's currency by the central bank continues, the Cabinet must consider the consequences very seriously.

NATIONAL PARTY

Pandering to Treurnicht

Businessmen can derive scant comfort from the decision of Prime Minister P W Botha to appease his party's Right wing.

Having given the public the firm impression that he was about to boot Dr Andries Treurnicht and his ministerial supporters out of the Cabinet, and even the party, Botha appears to have backtracked dramatically.

Not only are Treurnicht and his verkrampte colleages, like Braam Raubenheimer, still members of the executive after this week's furious in-fighting, they claim to be even more firmly entrenched Botha has called for an end to "blatant attempts to create divisions in the party." And Treurnicht maintains all their differences are settled.

The *FM* understands from prominent sources in the National Party that headcounting before the expected showdown at Tuesday's Cabinet meeting showed such solid caucus support for Treurnicht that Botha was forced to re-think his strategy. On the other hand, the Botha legion claims Treurnicht behaved true to form and, as he has done in the past, compromised himself and his verkrampte band to the point of political impotence.

The latter argument is hard to believe. Given Botha's pledges on economic and political reform, and his commitment to businessmen at the Carlton Hotel last November 22, even hard-headed Afrikaans financiers expected the PM to get shot of his Right wing at the first opportunity.

Had they come across as a weak group, lacking in confidence and short on numbers, the consensus is that Botha would have axed them ruthlessly. It's more likely, therefore, that the opposite is true

As a result, commerce and industry are probably faced with a situation in which

P W Botha . . . eyes right

Treurnicht has mustered sufficient MPs around him to operate effectively as a brake on most of Botha's plans for political and economic change. Certainly, the *FM* fears that verligte Nat hopes for an "unchaining" of the economy by removing such restrictions as influx control and the group areas legislation are doomed as long as Botha panders to Treurnicht.

But perhaps the situation is even worse. It's conceivable that Botha has detected a verkrampte groundswell so powerful, that given an election situation — with Connie Mulder, John Vorster and the rest joining forces with Treurnicht — he may lose power.

Although it is hard to accept this scenario, events in Zimbabwe have clearly unsettled many Nats — so much so that the Right wing of the NP reckons Mugabe will ultimately prove to be Botha's nemesis.

A Mulder-Treurnicht-Vorster axis is, from the businessman's point of view, the development to be feared most. It's well known that the struggle for real power goes on in the bureaucracy. Verligte and verkrampte factions co-exist uneasily in such government agencies as the Reserve Bank, the Board of Trade and Industries, the Treasury, the Post Office as well as Railways and Harbours.

Key appointments to these agencies are

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COURSE	DESCRIPTION	SYMBOL			
105104	LATIN I	3	(52)	1	11062V
604201	ROMAN DUTCH LAW I	ABS		1	11698SF
104524 603202 604201	COMP AFR GOVT AND LAW I ROMAN LAW & JURISPRUDENCE I3 ROMAN DUTCH LAW I	2 2-	(68) (55) (65)	1	13700IP
105104	LATIN I		(36)	3	13754SR
105104	LATIN I	ABS		3	13987N
105104	LATIN I	ABS			14635F
107101	ENGLISH I (PRE-1940)	3	(59)	1	132210G
603242	ROMAN LAW & JURISPRUDENCE I2		(62)	1	119010J
102201 604201	AFRIKAANS EN NEDERLANDS II ROMAN DUTCH LAW I	ABS ABS		7	139814X
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604201	ROMAN DUTCH LAW I	2	(62)	1	139656W
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603202	ROMAN LAW & JURISPRUDENCE IUP		(54)	1	137806P
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603262	ROMAN LAW & JURISPRUDENCE II		(49)	1	[illegible]

14/3/80 CT. (58)

R681 m lent to farmers

THE SENATE — Land Bank loans to the immediate benefit of farmers last year amounted to R681 million, an increase of 45 percent over 1978 and [illegible] percent over the figure for 1975, the Minister of Finance, Senator Owen Horwood, said yesterday.

"The Land Bank's aim is to assist the farmer wherever possible," he said in reply to the debate on the second reading of the Part Appropriation Bill.

Loans to individual farmers last year amounted to R[illegible]m, in 1978 to R[illegible]m, in 1977 to R[illegible]m, in 1976 to R65m and in 1975 to R[illegible]m.

Loans in terms of Article 34, for the purchase of durable farming requirements, last year totalled R27,2m, in 1978 R18,2m, in 1977 R16m, in 1976 R[illegible]m and in 1975 R16,7m.

Credit to co-operatives for farmers' production uses last year amounted to R[illegible]m, in 1978 to R359m, in 1977 to R2[illegible]m, in 1976 to R2[illegible]m and in 1975 to R191m.

(58) FM 14/3/80

Still some way to go?

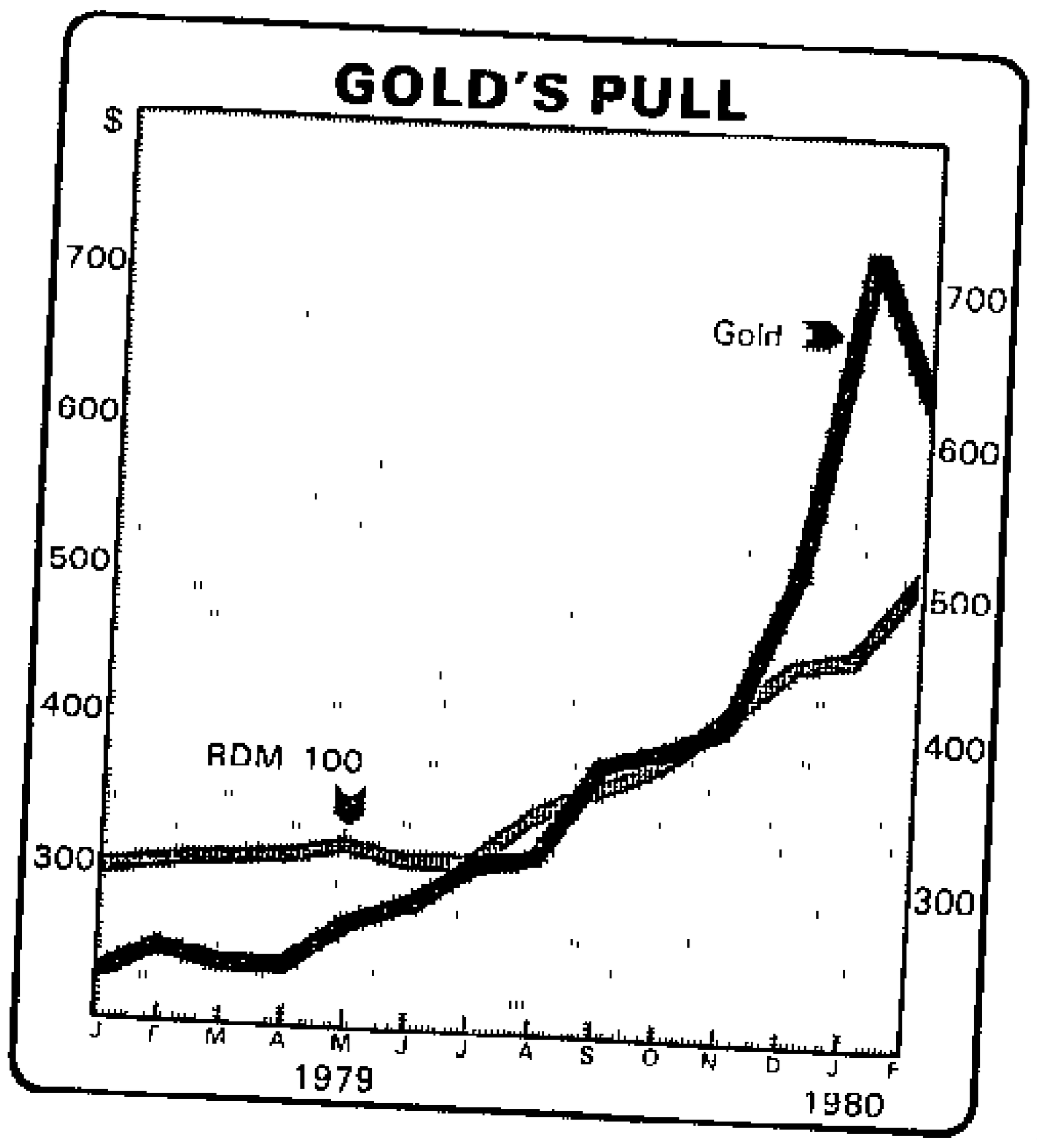
No bull market is forever. And, at the moment, the bull market in industrial shares that has characterised Diagonal Street for the past three years shows signs of faltering.

This, given only a very few factors, is hardly surprising. In the middle of February industrials, as measured by the *RDM* 100 index, peaked at 517,4, having risen no less than 75% in the eight months from the June 1979 low of 295,4. A rise in this nature, of itself, would normally be sufficient to warrant a sharp correction.

Then, two weeks ago, came the shock result of the Rhodesian election. Of all possible scenarios that had been canvassed, the very worst happened; the Marxist-labelled Robert Mugabe was in — by a landslide. And the index, having slid a gentle 4% to 496,9 by the day the results were announced, proceeded last week back above the 500 level.

This week, with gold below $600 for the first time since early January, and looking set to go lower (the fall since the January 21 peak of $850 almost matches the 1979 average of $306), industrials have again dropped below 500. And the Budget, always an unsettling factor for share markets, and which many now feel will be less stimulating than had been expected a few months ago, looms less than two weeks away.

On these indications, the outlook for industrials looks shaky. Yet on Tuesday, when the bottom fell out of the golds market on heavy overseas selling (the



RDM golds index fell from 578,9 to 527,4 — almost 10% in one day), the industrial index shed only 3 points.

This sign of the inherent strength of industrials is a reminder that, despite the short-term gloom, there are still some very positive factors.

First, of course, is still the gold price, even in face of the current slide. At an average of $450 (roughly 50% higher than last year's average) the current account of the balance of payments will be in surplus to the extent of at least R3,5bn this year, rising to well over R6bn at an average of $650. The effect of such surpluses on internal liquidity must be to ensure that interest rates are pushed downwards.

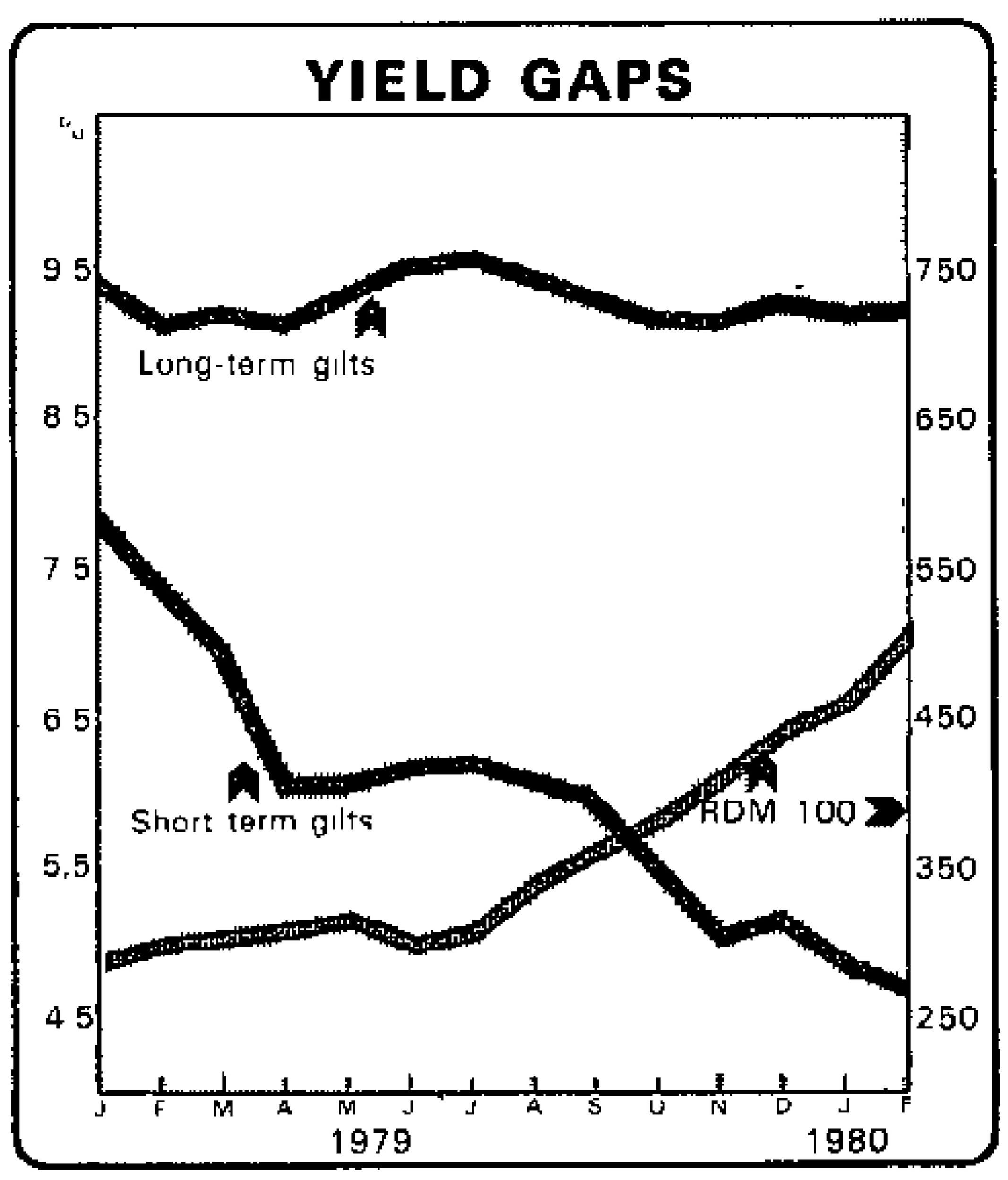
Next, it begins to look as if inflation, which averaged just over 13% in 1979, will drop to single digit levels this year. Much of last year's increase was due to the three increases in the domestic petrol price and the on-going effects of the introduction of gst in the middle of 1978; these two factors accounted for as much as four percentage points of the rise.

At the end of last year, the inflation rate dropped sharply, averaging below 5% in the last quarter. With the prospect of no petrol price increases this year, and despite the inflationary impact of the Railways budget and probable wage and salary increases, there is reason to hope that the inflation rate will not accelerate very sharply from the encouragingly low recent levels.

Then, there can be no doubt but that the economy is firmly set on an upward path. Not only are current company results extremely encouraging (though they are, of course, based on trading experience in the past six to 12 months) but, in general, expectations for the current year are that currently reported profits will be handsomely exceeded. And the bigger profits will be translated into substantially higher dividends.

That the economy is firmly based is confirmed by almost all business cycle indicators, particularly in the rises from a year earlier in the volume of manufacturing production, which was up 7,3% in September, 9,0% in October, and 8,4% in November. These gains were almost across-the-board, in contrast with earlier returns showing laggardly performance in a number of sectors.

This higher activity was reflected in a sharp increase in personal disposable income in 1979, which rose by about 17%, a big jump on the 9,2% rise of 1978 and the first rise in real personal incomes since 1975. Despite the somewhat reduced expectations of a give-away budget, there is no doubt that Senator Horwood will reduce taxation on March 26. This will further boost disposable income, and hence con-



sumer spending propensity, and will thus help keep the economy on the upward path.

The first graph, "Gold's pull," illustrates the impact that a high and rising gold price has had on industrial share prices. Inevitably, a sharp setback to gold will rub off on industrials, but the expectation in the investment community is that gold will sustain a price in 1980 substantially higher than the average for 1979. Hence, after the current correction, gold will probably strengthen — and renew its upward tug on the industrial index.

The second graph, "Yield gaps," shows the *RDM* 100's rise against the backdrop of relatively stable, but slowly declining, long-term interest rates, and sharply falling short-term rates. Earlier, we sketched the prospect for a further fall in interest rates this year, and this must be a major bull factor.

Another point concerning interest rates is the worldwide trend, in these highly uncertain times, towards shorter term investment — and, in this context, equity investment is regarded as very short-term, in that equities are capable of almost immediate encashment. In these circumstances, one no longer refers to "yield gaps" in terms of the return on gilts or semi-gilts, but in reference to the yield obtainable on short-term money. And here, with equities yielding on average almost 5%, compared with 4,5% or so on short-term gilts, the yield gap points to higher equity prices

On balance, therefore, the conclusion must be that once the present correction has run its course — which will probably not be until the budget is out of the way — industrial shares will resume their upward path. The bull market is not dead; it probably still has a good head of steam which will see it through to perhaps the third quarter of the year.

There is, however, one big caveat. If things go sour politically, either in terms of Zimbabwe or Namibia — or if there is any renewal of internal unrest — all bets are off. And this week's patching up of the National Party's internecine strife is not a good omen, especially if it means a continuation of the present snail's pace rate of change

INTEREST RATES

(58)

Confidence returns

FM 14/3/80

Short-term interest rates fell sharply last week with traders once again anticipating a rapid build-up in the liquidity after the seasonal month-end tax outflow.

Last Friday's Treasury bill tender rate slipped back seven points to 4,2%, while three-month bankers' acceptances eased by some 10 points to 4,7%. The discount houses are still receiving Reserve Bank accommodation to the tune of some R150m — a relatively insignificant amount compared to figures for the same periods in previous years.

While short-term rates appear to be easing, dealers report that trading volumes are still very thin with few buyers willing to take large positions.

Among the expected Budget measures that could spark a more pronounced tumble in rates are a possible increase in banks' lending ceilings coupled with a cut in Bank rate, which will then be followed by a cut in prime overdraft rate. Clearly, with Bank rate still at 7%, it is out of line with short-term rates that could fall further. Experts reckon that even if Finance Minister Owen Horwood does not announce a Bank rate cut in his Budget, this is likely to follow in April.

Of course, the present gyrations in the bullion price do little to enhance the confidence of investors. But then there is little doubt that even at its present level, the liquidity inflow from bullion sales is more than enough to send rates down.

There seems to be considerably more uncertainty as far as long-term rates are concerned. Last week, for instance, the trading rate on long-dated Escoms edged up from an average of around 9,35% to 9,43%. Again, the looming Budget and the possibility that the Minister will announce a reduction in institutions' prescribed investment requirements is causing hesitancy among investors. However, the view of some capital market experts is that *if* there is a reduction in Part One assets, the cut is not likely to be more than about 2% to 4% — which will not affect the market significantly.

Investors also appear to be holding back because of their uncertainty over what measures the Reserve Bank is likely to take in order to mop up excess liquidity.

Although the debenture market has seen a flood of issues so far this year, private sector borrowings are set to spill out of the pipeline at an even faster rate after the Budget. Corporate finance experts are fairly confident that Horwood will announce the abolition of the 1% marketable securities tax (MST), which will be a major step towards improving the marketability of these securities.

All in all, it would appear that it is only a matter of time before both short and long-term rates begin edging down.

major investment interest seek to tighten their grip on the free market some believe producers could increase their sales to industrial clients to reduce the latters dependence on the free market for marginal supplies. The only problem with this is that producer stocks are believed to have declined substantially during the past two years and they therefore may not have the required muscle immediately available

DIAGONAL STREET

(53)

Under pressure

FM 14/3/80

The JSE was bombed with selling orders on Monday and Tuesday. However, by Wednesday afternoon what had earlier in the week looked very much like panic selling had abated.

Causes for the decline were given as the rise in the US prime rate to 17,25% and the corresponding decline in bullion — down to $569 on Tuesday morning.

Meantime, levelheaded brokers tried to stem this tide by persuading clients phoning in selling orders to buy while the opportunity presented itself. However, even though bullion recovered to $582,50 on Wednesday morning, many investors were convinced the market was teetering on the brink of a bear run.

Firstly, heavyweight golds took the biggest pounding on Tuesday, with Harties and Vaal Reefs each shedding 600c, and St Helena off 500c. By comparison marginals declined less with Vlaks down 30c to 325c, Simmers 15c to 310c and South Roodepoort 70c to 850c.

While gold shares first shocked and then reassured investors, industrials continued to mark time. Fairly quiet trading knocked marginal amounts off leading counters and boosted only selected issues, mostly special situations. Over the week the JSE Actuaries Industrial index hardly moved, opening and closing around 525.

The average number of industrial shares changing hands daily was a low 1,8m valued at R3,9m. This compares with volumes and values of up to 3m shares and R6,5m in January and early February. Brokers explain the lacklustre performance of industrials as being a function of the gold price. The optimistic fervour of a few weeks ago has now been dampened, aggravated by the end-February tax payments.

However the flood of good company results continues, and though many argue the market has discounted most of them, they must at least underpin the extent to which quality shares can fall. Certainly there looks to be more upside in the market near-term.

An expansionary Budget could well be the fillip the market needs, especially for consumer oriented stocks. News emanating from the motor industry also suggests that durable purchases could continue to do well. This, plus the surprise reversal in profits was one of the reasons Toyota hit a 1979-80 high of 435c last week

Other company results included Tiger Oats' 16% earnings hike to 262c (228c) and higher final dividend of 38c (33c). The market has obviously been disappointed with some of the food company results, though, on the plus side, some of the food majors managed to keep profits growing during the economic downturn despite Government controls on margins.

Adcock Ingram also reported annual results last week. Pre-tax profit increased 40,5% to R11,1m on an annualised basis for the year to end-December, while earnings rose 35,7% to 295c (217,3c annualised). The 59c final dividend (55c) gives a total of 88c (80c). Further earnings growth is anticipated this year.

Dunswart was also a solid profit performer, returning to the dividend lists by paying 10c — the first payment since 20c was paid in 1976. However the market ignored the share, which closed 30c off at 230c.

Special situations during the week included the 155c a share offer for the minorities in Buffalo Timber by controlling shareholders Industrial Investment Company And as yet there have been no details on the negotiations on Priority Investment Trust (PIT). However finality was reached in the Alderson & Flitton (See *Fox*) negotiations and an offer will be made to minorites soon. *Des Kilalea*

foreign bourses

BARCLAYS

69 232 61 FM 14/3/80

Excellent prospects

Activities: *SA's largest banking group. Subsidiaries include Barclays National Bank, Barclays Western Bank and Barclays Insurance Brokers. Barclays International (UK) owns 64% of the equity and Anglo American/De Beers 18%.*
Chairman: *J M Barry; managing director: A R M Aldworth.*
Capital structure: *53,2m ordinaries of R1. Market capitalisation · R433,6m.*
Financial: *15 months to December 31 1979. Total assets: R6 808m (1978: R5 692m).*
Capital and reserves: *R300m (R252m); capital surplus: R39,7m (R23,6m).*
Share market: *Price: 815c. (1979-80: high, 815c; low, 485c; trading volume last quarter, 163 000 shares). Yields. 11,4% on earnings; 4,9% on dividend. Cover 2,3. PE ratio 7,8‡.*

	+'76	+'77	+'78	+*79
Total deposits (Rm)	3 169	3 485	3 890	4 690
Total advances (Rm)	2 085	2 309	2 566	2 991
Operating profit (Rm)	50.0	55.1	60.2	98.9
Operating profit· advances and customer liabilities	1,2	1,5	1,7	1,6
Taxed return on equity (%)	16,3	15,7	16,4	14,8
Earnings (c)	53.2	62,6	74,8	116,7
Dividends (c)	19	23	30	50
Net asset value (c)	327	398	478	627

‡ Annualised
+ Year to end-September
* 15 months to end-December.

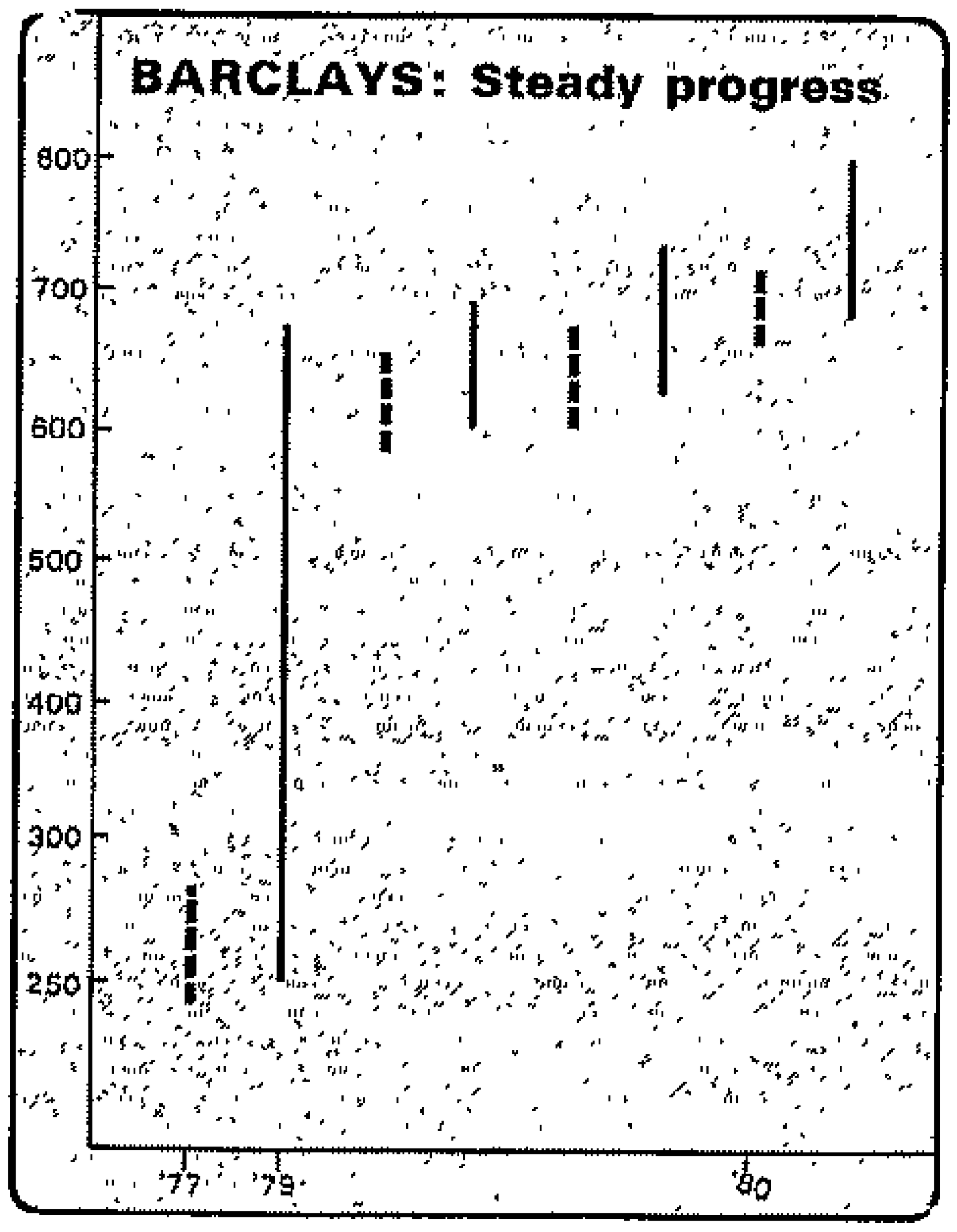
In line with a quickening in the economy and growing consumer demand the Barclays Bank group reported an annualised operating profit increase of 31,4% in the 15 months to end-December. And this year, provided the rate of growth in SA continues, another impressive profit increase can be expected. In 1979, the payoff for shareholders was a 33,3% hike in the annualised dividend payment, up from 30c to 40c, and it appears certain another record distribution is on the cards in 1980.

Operating profit for the 15 month period was R98,9m which annualises to R79,1m (R60,2m). Taxed earnings for the period of 116,8c allowed a 50c total dividend to be paid.

	Operating income 1978	Operating income *1979	Taxed profit 1978	Taxed profit *1979
	Rm			
Commercial bank	43,0	53,8	26,7	38,6
Wesbank	12,7	9,4	7,2	9,4
Barclays Merchant	2,8	5,7	2,9	5,1
Barclays Insurance	1,6	1,8	0,9	1,0

* Annualised

At end-December Barclays had total assets of 6,8 billion (R5,7 billion), while share capital and reserves amounted to R299,8m (R252m). The excess capital in relation to the Banks Act's requirement was R39,7m (R23,6m), giving plenty of room for additional advances. But, despite this excess capital position, Barclays reported a return on capital employed of 16,7% (14,6%) on an annualised basis.



Last year was marked by favourable lending conditions and a general upswing in the economy leading to continuing high demand for consumer credit and leasing finance. Exchange earnings were adversely affected initially by the De Kock Commission recommendations on forex transactions, but subsequently returned to satisfactory levels.

While all divisions contributed to the increase, the star performer was Barclays Merchant Bank. BMB's taxed earnings rose 76,6% to R5,1m (R2,9m) on an annualised basis, and it paid R4,1m (R540 000) in dividends to the holding company. The commercial bank earned R48,3m in the 15 months, or an annualised 44,7% increase to R38,6m (R26,7m), including R5,1m (R4m annualised) in dividends from subsidiaries. At the operating profit level, the bank contributed 69,4% (71,5%) to the group total.

Barclays Wesbank, which performed so well in 1978 with an operating profit of R12,7m (R1,8m), continued to progress strongly with an annualised 31,1% increase in taxed profit to R9,4m (R7,2m) and a return on equity of 24,5%. From the December quarterly returns of banks (BA9) it can be seen that Wesbank recorded a 15% increase in HP business, an 8,9% increase in leases and enjoyed a 17,3% market share.

The reasons for BMB's sharp increase in profit were, to a large extent, a result of its concentration on tax-based leases and the number of corporate restructures it handled for clients. During the accounting period, substantial repayments of existing advances exceeded "the modest" demand from industry for medium-term finance, resulting in a lower level of advances at end-December However, acceptance credit facilities were at a higher level, but competition was intense. BMB's 28,3% return on equity was the highest in the industry.

Commercial banking was affected by intense competition, exacerbated by the fact that corporate borrowers tend to provide front-end financing themselves and then draw down a bank loan over relatively long periods. Thus the capital spending boom is not having an immediate impact on bank profits.

The foreign exchange division had to reduce the spread between buying and selling rates after the De Kock Commission recommendations in order to hold market share. However, the market stabilised and wider spreads have since been reinstated.

The Barclaycard division had another good year. It now has over 450 000 customers and more than 40 000 shopping outlets. Turnover on an annualised basis rose 82,7% to R425m (R233m).

This year another increase in profit and dividends is expected. Consumer spending is on the increase and durable purchases should keep banks busy. The market has pushed the share 77% higher to 815c in the past year, where it yields an historic 4,9%. Near-term, the industrial market looks uncertain so buying opportunities may improve, but the share rates a buy on a medium term view. *Des Kilalea*

FALCON'S YIELD

In the *FM* of January 25, non-residents' shareholders tax was deducted from the Falcon dividend to calculate the yield to local investors. In fact, being London registered, Falcon pays branch profits tax and thus does not deduct NRST from dividends. This meant the yield was 8,8% and not 6,6% as stated.

195 FM 14\3\80

KOHLER

Solid performance

Activities: *SA's second largest printing and packaging group. Subsidiaries include Hayne & Gibson, Master Business Forms, General Packaging, Swisstool, Trident Plastics, Holdain Boxes, Union Corrugated Cases and TPI Cores & Tubes.*
Chairman: *B Landau; managing director: A G Crosby.*
Capital structure: *8,2m ordinaries of 50c. 225 000 6,5% cum prefs of R2 Market capitalisation: R86,1m.*
Financial: *Year to December 31 1979 Borrowings: long- and medium-term, R6m; net short-term, R3,4m. Debt: equity ratio: 26,7%. Current ratio: 2,1. Net cash flow: R7,4m. Capital commitments: R9,4m.*
Share market: *Price: 1 050c (1979-80 high, 1 050c; low, 680c: trading volume last quarter, 77 000 shares). Yields: 12,0% on earnings; 5,8% on dividend. Cover: 2,1. PE ratio: 8,4.*

	†'76	'77	'78	‡'79
Return on cap % *	19,2	24,8	38,6	34,2
Turnover (Rm)	63,4	77,0	92,2	113,3
Gross profit (Rm)	8,9	12,0	17,3	17,8
Gross margin %	14,0	15,6	18,8	15,7
Earnings (c) *	50,7	79,3	119,9	125,7
Dividends (c) *	21	26	50	61
Net asset value (c) *	324	377	412	472

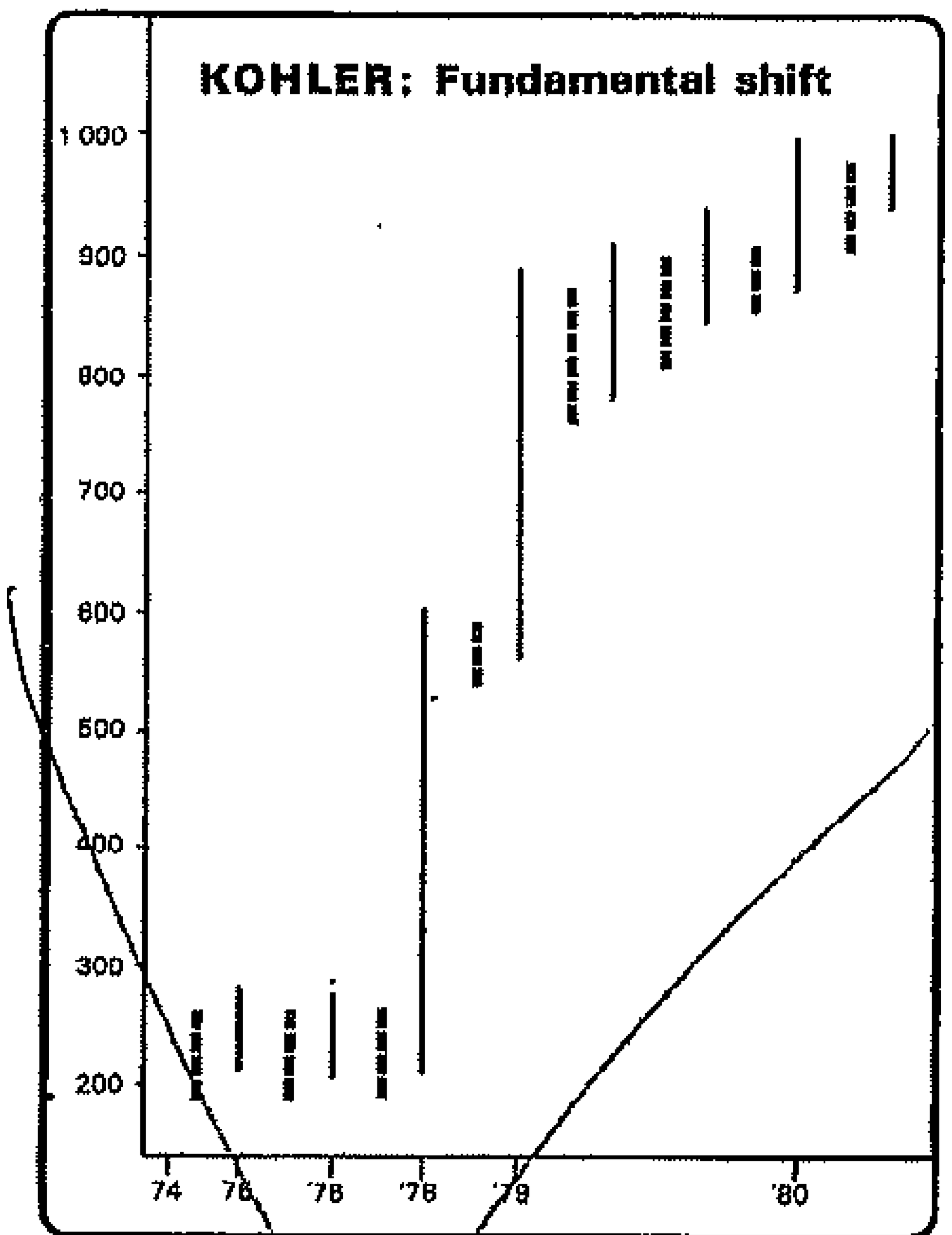
† Year-end June 30
‡ Change to lifo
* Figures for 1976 and 1977 adjusted for 1978 cap issue

Before Lifo

	1978	1979
Return on cap %	38,6	39,9
Turnover (Rm)	92,2	113,3
Gross profit (Rm)	17 3	20,7
Gross margin %	18,8	18,3
Earnings (c)	119,9	146,0
Dividends (c)	50	61

"This year should be a very good one for Kohler Brothers," says chairman Basil Landau. After the results for the year to end-December 1979, this should please shareholders who have seen earnings nearly double in three years on a comparable basis. Profit growth in 1980 should easily surpass that in 1979. Not only will a buoyant economy lift demand, but greater rationalisation and expansion possibilities, and the tax benefits from substantial investment should further boost earnings.

Last year, Kohler joined the growing list of companies which have changed to lifo stock valuation in order to match more accurately costs and revenue. In this instance, the net effect of the change was to reduce pre-tax profit by R2,9m and taxed profit by R1,7m. Earnings before lifo were 146c and after they were 125,7c. Though the change meant a flattening of Kohler's growth curve, the saving in tax and the more realistic reflection of annual profit in times of inflation more than compensate for the less flattering record. By adopting lifo Kohler saved R1,2m cash



in tax — equivalent to 15c a share.

Last year's profit growth was largely organic. The acquisitions of Blopac and Tindale Plastic during the year added little to earnings and, with intense competition, both new and old, margins in the industry were under pressure. Kohler had to cope with unavoidable cost increases which it was not able to pass on, but in the second half of the year the group reported an improved profit margin of 17,6% compared with 17,2% in the first half. The gross profit margin (on lifo profit) was marginally lower at 18,3% (18,8%) for the year.

The two acquisitions strengthened Kohler's position in the rigid plastics business. Tindale was merged with Trident Plastics in the Western Cape, while Blopack operates in the Transvaal as a Swisstool subsidiary.

Though last year's 22,9% increase in turnover necessitated a larger asset base, Kohler's balance sheet remains sound.

The group has little gearing with R10,5m (R9,3m) total borrowings. These could be repaid from less than two years net cash flow The current ratio was held more or less steady at 2,1 times, despite the change to lifo which reduced the value of year-end stocks by R2,9m. Had fifo valuation been continued, year-end stocks would have risen to R18,4m (R16,1m), indicating to some extent the expected increase in business this year.

Besides the brighter economic prospects, which should keep demand growing, and a better agricultural season, shareholders should benefit from the R16m expansion and capex programme for 1980. Not only will new products boost demand, but significant rationalisation benefits and tax concessions should enhance earnings this year.

Overall, the packaging market again looks set to be a solid performer this year and Kohler, with its wide range of products and services and strong track record, is well placed to take advantage of the upswing.

Dividend prospects are also bright. Last year 61c was paid to give an unchanged 2,4-times cover on fifo profit, a cover which should be maintained this year. Since the annual results and the announcement of a change of lifo, the share price has remained on the 1 050c high to yield an historic 5,8%, despite weakness in the industrial market. The share rates a firm long-term hold.

Des Kilalea

DATES TO REMEMBER

Last day to register dividends:
Friday March 21: A Lipworth 5c; Alexhow 6,2c; BTR 19c; Berkshire 7c; Diroyal 5c; E Haddon 21c; Liberty 58c; Libery Hold 12c, Rhodesian Corp 1,04c, Robbs 4c; SAAN 37c; Samancor 70c; Shulton 18c; Stanbic 25c; Textile Mills 2,97c.
Meetings:
Tuesday March 18: Brick & Clay; Otis.
Wednesday March 19: Federale Mynbou; General Mining.
Thursday March 20: Osborn.
Friday March 21: Hunyani (Z Rhodesia); Protea Hold; Shulton.
All meetings are in Johannesburg unless otherwise stated

SHULTON 62

Gearing up FM 14\3\80

Activities: *Manufactures and distributes Old Spice toiletries for men and distributes women's toiletries and perfumes. Shulton (US) holds 51% of the equity. The ultimate holding company is American Cyanamid.*
Chairman: *W J DeGenring.*
Capital structure: *2m ordinaries of 50c. Market capitalisation: R5,1m.*
Financial: *Year to November 30 1979. Borrowings: net short-term, R295 000. Debt:equity ratio: 30,5%. Current ratio: 1,5 Net cash flow: R134 000 Capital commitments: R13 000*
Share market: *Price: 255c (1979-80: high, 260c, low, 155c; trading volume last quarter, 87 000 shares). Yields: 11,8% on earnings; 9,4% on dividend. Cover: 1,25. PE ratio: 8,5.*

	'76	'77	'78	'79
Return on cap %	71,2	78,4	104,0	84,8
Turnover index*	131,5	178,8	234,2	339,6
Pre-tax profit (R'000)	517	613	869	1 056
Earnings (c)	14,7	17,5	25,7	30,1
Dividends (c)	13	15	22	24
Net asset value (c)	36	38	42	48

* 1972 = 100

In the year to end-November Shulton's turnover increased 45%, but pressure on margins created by marketing expendi-

Crucial questions for business

58

S Times 16/3/80

By PENELOPE MORGAN

THIS week, financial leaders will receive an exhaustive questionnaire from Dr Gerhard de Kock's probe into the monetary system and monetary policy in South Africa.

The document consists of 83 penetrating questions that provide a clear indication of the commission's thinking.

Despite the already published Interim Report on Exchange Rates, there are many outstanding questions on foreign exchange matters. For instance, the questionnaire poses the following:

- On the assumption that sound fiscal and monetary policies are applied and given a system of managed floating for an independent rand, what future role do you see for exchange control, in SA?
- What changes, relaxations or simplifications of exchange control, if any, would you recommend?
- Would you favour combining a "money rule", for example, the setting of fixed monetary targets, with a freely floating exchange rate? If not, which broad principles or considerations should govern the Reserve Bank's intervention in the spot and forward exchange markets in the special circumstances prevailing in SA?
- If you believe that the authorities should set fixed monetary targets of one kind or another, should these targets be published? How often should these targets be changed?

The document includes many questions on interest rates, one of which is,

● To Back Page

S Africans rush for plastic cash

A SPACE-age goldrush has started in South Africa, but it's not lumps of precious metal people are seeking — it's the plastic money.

Thousands of South Africans are queueing for credit cards in the wake of the spending spree brought on by the economic upswing.

The card rush has also struck a blow for Women's Lib with thousands of women applying for cards in recent months.

From one bank alone 16 640 women obtained credit cards in the last three months of 1979.

Many of those were given as Christmas presents to their wives by loving — and trusting — husbands.

Another major bank's card division has been virtually swamped by administrative work and a new telephone exchange had to be installed to handle the volume of business.

The two major credit-card distributors, Standard Bank Card Division and Barclaycard,

Big boom for bank credit card trade

[illegible]

say there is no end in sight to the boom.

Two other banks, Volskas and Nedbank, are soon to launch cards of their own to cash in.

The little plastic cards which allow instant credit for virtually anything from an overseas trip to vegetables have been blamed for all sorts of private financial catastrophes, but the figures prove that the demand for them is vast.

The figures in the card game are astronomical

Standard Bank Card Division anticipates a turnover on cards for 1980 of R480-million — an increase of 75 per cent over last year's turnover of R272-million.

At Barclaycard February alone produced a turnover of R59 million

Mr Randle Carter General Manager of Standard Bank Card Division, said he had drawn staff from other divisions of the bank to help with the flood of administrative work created by the massive credit card spending spree which started late last year when the economy started to boom.

"This is a temporary measure. We have brought people in in the evenings to help us," Mr Carter said.

He said that the card division was temporarily strained because of a shortage of skilled administrative staff.

The Division's turnover has leapt from R120-million when the card was launched in 1968, to a predicted 1980 turnover of R480-million

"The growth in credit card usage in South Africa is following exactly the pattern in the United States.

"It takes a few years for the concept to become accepted, but once that happens and people realise the convenience of having a card the business takes off.

"I predict a tremendous growth over the next year before it tails off and [illegible]

Mr Colin Gregor, [illegible] General Manager of Barclaycard, said cards were not only an easy means of payment but they also lent the holder credibility because the bank lent its good name to the person using the card

"A prime factor is that using a card leads to better budgeting

"Your whole monthly budget is set out in one statement so that you can see at a glance where the money has gone and what your essential expenses are

"The fuel-price increases are also a factor because housewives now tend to shop less often to save unnecessary trips.

"If they use a card they don't need to carry a lot of cash

"There is a big swing towards women holding cards

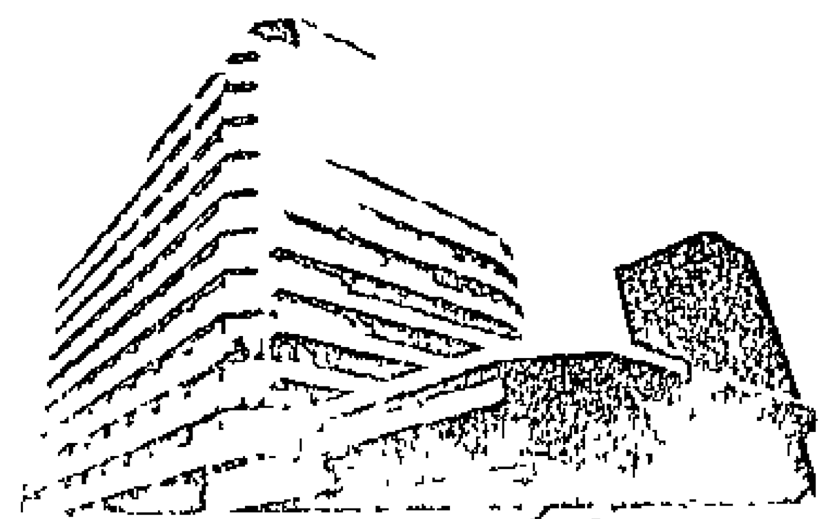
"Many of them were given cards by their husbands for Christmas, and in the last three months of 1979 we issued 32 000 cards of which 52 per cent were to women," he said.

He said the essential factor from the bank's point of view was to be extremely careful when handing out a card not to overstretch the individual's ability to make repayments and not to issue cards to people who cannot afford them.

"There is a moral issue from our point of view because we cannot give a man a card which he clearly can't afford," he said.

Both he and Mr Carter believe that cards will in future replace cash as the fundamental means of making payments.

BT New Year portfolio has already increased by more than 18%



(53)

S Times 16/3/80

THE Business Times New Year portfolio, published on December 30 last year, appreciated by 18,7% between the beginning of 1980 and Tuesday this week.

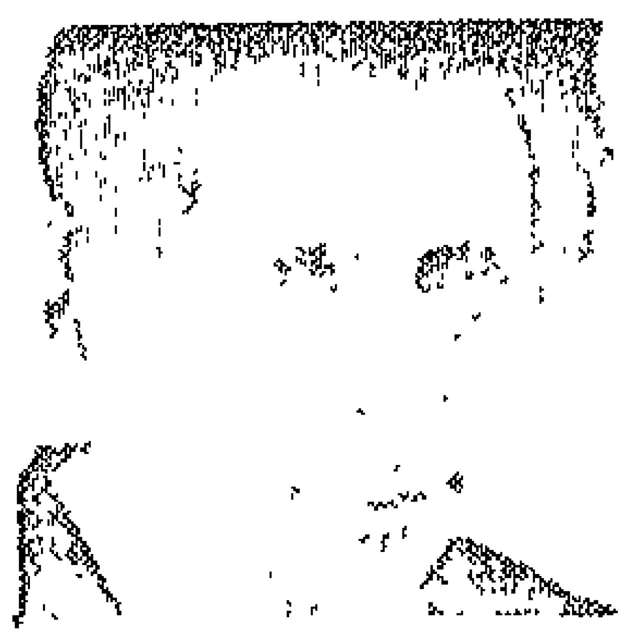
A measure of the headlong decline in share prices during the first two days of this week can be gauged by the fact that on Friday last week, the portfolio was 28,5% higher.

The performance to Tuesday compares with a 2,4% decline in the RDM gold index and a 10% rise in the RDM 100.

As at the close of business on Friday last week the Business Times portfolio looked like this:

Durban Deep	+52,1%
Grootvlei	+20,3%
FS Saai	+33,6%
Imp Plats	+33,6%
Cons Murch	+17,8%
Messina	+57,1%
Lonrho	+15,6%
Plate Glass	+17,7%
Tongaat	+22,9%
Wms Hunt	+13,8%

AVERAGE GAIN 28,5%



Diagonal Street

By JOHN SPIRA

By Tuesday, the picture looked somewhat different, as the following table shows.

Durban Deep	+22,9%
Grootvlei	+8,5%
FS Saai	+12,7%
Imp Plats	15,5%
Cons Murch	+8,3%
Messina	+46,0%
Lonrho	12,2%
Plate Glass	+20,8%
Tongaat	+26,6%
Wms Hunt	+13,8%

AVERAGE GAIN 18,7%

It was the portfolio's gold and metal shares which suffered most between Friday and Tuesday — a feature which accords with the behaviour of the relevant indices.

However, it is worthy of note that although the industrial index also came off over the two days in question (though not to the same degree as golds and metals), the portfolio's industrial shares were higher on balance.

Also of interest is the absence of any minuses from the portfolio — in spite of the gold share index being lower now than it was at the end of 1979.

Publication of the Business Times New Year portfolio was accompanied by a supplementary list of 16 shares regarded as containing good potential for 1980.

This selection was 20,3% higher on Friday last week and 20,8% up on Tuesday this week. The following were the shares contained in the supplementary list, together with the changes registered between the beginning of 1980 and Tuesday last.

Govt Areas	+6,8%
S Rhoodie	+66,7%
R London	+37,2%
Marlin	+13,9%
Tedelex	-1,9%
B & Clay	+38,6%
Gough Cooper	+16,3%
Skye	+28,6%
Amal Laundry	+21,4%
Trust Bank	-5,8%
Picotel	-2,4%
Pioneer	+58,3%
Bivec	+26,3%
Montays	-11,1%
Metkor	+6,8%
Putco	+6,7%

AVERAGE GAIN 20,8%

How Pretoria can mop up liquidity

S Times 16/3/80 (58)

By PENELOPE MORGAN

THOSE in the know are sticking to their story that interest rates will move up in the last quarter of 1980.

This despite the higher gold price this quarter and its effect on liquidity levels.

An expert from a large Cape institution stresses, however, that the "new" gold price levels mean that the margin of error for interest rate predictions is currently larger than late last year.

The predicted pattern for short, medium and long is that they will succumb to downward pressure until the last quarter of 1980.

The key factors affecting short, medium and long-term rates are the bullion price and the inflation rate, coupled with domestic demand for loans and the Reserve Bank's ability to mop up liquidity.

On the short side of the market all agree that the Reserve Bank's (RB) success or otherwise in mopping up excess liquidity is crucial to the outlook for rates.

With justification few doubt that the RB will seek to prevent drastic rate falls by selling the tap Treasury Bills (TBs) used so effectively for this purpose since September 1979.

There are strong suspicions in the market that the RB's efforts to exempt it's own securities from the Marketable Securities Tax is a prelude to selling these securities on a large scale.

Another new option open to the RB is to permit banks and other institutions like mining houses to place short term deposits abroad.

With world rates at record highs this step would have the dual effect of reducing domestic liquidity and earning valuable foreign exchange.

Minister Horwood took a step in this direction in the mini-Budget by extending the rollover period for trade finance from 180 days to a year.

The case for raising the banks' credit ceilings at this stage is arguable because they have circumvented the ceilings by endorsing commercial paper.

Demand for bank credit from the private sector is picking up.

Government demand for loanable funds is likely to be limited, depending on the size of the deficit on the balance of payments which in turn will depend on assumptions about the gold price over the year.

Each of these measures could play a part in holding liquidity levels down, thus preventing rates dropping too far. Money market men reckon that any or all could be introduced after the Budget.

Medium (10-year) rates will be subject to the same set of downward pressures (rising inflation rate and bullion price) as long term rates.

The differential between medium and long-term yield is very much in favour of medium-term investments. This feature could have the effect of keeping medium rates comparatively firm.

STU13-9

IN FACULTY ARTS YEAR : 3 AS AT 29 02 80 PAGE 2

COURSE	DESCRIPTION	SYMBOL			
116317	DRAMA III	2-	(63)	4	135100Z
908307	GEOGRAPHY IIIA (HALF COURSE)	UP	(51)	4	113116C
110301	HISTORY III	F	(45)	5	096146G
916205	GEOGRAPHY IIB (HALF COURSE)	ABS		4	096560G
110301	HISTORY III	F	(43)	4	103278J
	AFRIKAANS	ABS		5	114463R

REGISTRAR (ACADEMIC)

UCT

Family firms lagging in performance

58

252

S. Times 16/3/80

FAMILY businesses listed on the Johannesburg Stock Exchange have tended to lag behind the performance of professionally-managed companies with a wider spread of ownership.

By STEPHEN ORPEN

This is especially evident where the family businesses are in a single line of activity, and need to launch themselves out of the "pioneer" stage to sustain and improve their performance.

Such businesses tend to suffer from a "lack of specialised functional skills (as in finance, marketing and production), from a lack of succession in management and generally from a paucity of the skills necessary to successfully integrate a growing, diverse and divisionalised set of operations".

These are among the key findings of a new study by Robin Mackintosh, senior lecturer at the Graduate School of Business of the University of Cape Town.

The study builds on previous research into the performance of various types of company listed on the JSE by Dr G S Andrews.

Andrews' research showed that more-diversified companies, and especially conglomerates as he defined them, tended to out-perform more narrowly-focussed businesses. But his work did not separate out family businesses.

The new study identifies some 105 JSE-listed companies which could be called family businesses, compared with some 150 in 1971, and examines the perfomance of the shares of samples of these companies relative to the performance of other listed companies' shares in 1973-77.

The performance of the family businesses is further compared according to their structure and stage of development — from "single business", "dominant business", through "related business" to "unrelated business" categories.

Sub-divisions include those for companies that are vertically structured, "constrained", "linked", "single", "passive" or "conglomerate".

The test determining whether a company is a family one includes both a controlling interest in the hands of the family and the presence of at least two active family members on the board.

Two additional companies — Anglo American Corp and the Rembrandt group — were included in the family category for special reasons.

Companies whose share performance was superior to that of the industrial share market as a whole (measured by the RDM 100 index) were expected to show "proportionately greater increases in share price . . . or a smaller drop in bear markets".

Some 78% of the main sample of 51 family-held companies were in the single or dominant business categories — about the same as for all listed industrials.

But 51% of the family businesses were in the "single business" category compared with only 35% of the more than 250 listed companies studied by Andrews.

The findings include:

- Single-business family companies out-performed the market only 34% of the time in 1973-77 and under-performed 54% of the time.
- Dominant-business family companies in the "vertical" category were better only 29% of the time and worse 57%.
- The small number of "dominant-unrelated" family companies were better 50% of the time and worse only 31%.
- So-called "unrelated-passive" family companies (in unrelated businesses in a passive way in terms of management) proved "manifestly unsuccessful" as a group, performing above average only 27% of the time and worse 60%.
- Family companies that have "taken small steps" towards diversification have generally not been successful.

By contrast, those with strongly diversified strategies, related and unrelated in terms of type of business, have been the most successful.

Rapport 16/3/80

MAN AAN DIE ROER

Bankier dra ook Boodskap uit

DEUR FRANS ALBRECHT

HY staan aan die hoof van die kapitaalmark van een van Suid Afrika se grootste aksepbanke. Boonop is hy sommige Sondae 'n lekе-prediker. En een van sy grootste buitebelangstellings is om teologie deeltyds te studeer.

Maar vir hierdie studies kry die 35-jarige mnr. Pieter du Toit, senior bestuurder van Sentrale Aksepbank (senbank), deesdae bra min tyd. Sedert hy in Mei 1979 hoof van die bank se kapitaalmark geword het, is sy werkdag ietwat vol.

Deurdruk, sal hy egter. Die een of ander tyd. Net soos hy sy B.Com., die graad van die gevorderde bestuursprogram aan Unisa se Skool vir Bedryfsleiding, en die kwalifikasie van geoktrooieerde sekretarisse geslaag het almal deeltyds.

Hoewel die kapitaalmark nie vreemd vir mnr. Du Toit was toe hy omtrent 'n jaar gelede aan die hoof van dié van Senbank aangestel is nie, het hy eintlike sterkte op daardie tydstip in beleggings gelê.

Sy bankwese-ondervinding loop deur Standard-Bank, Senbank, Nefic en toe weer Senbank. Hy was ook 'n paar jaar by Johannesburg Consolidated Investment Company (JCI) in die beleggingsafdeling. Sedert 1970 is hy terug by Senbank.

Dit is vir hom 'n besonderse uitdaging om tans in die vaste-rentedraende beleggingsveld van die kapitaalmark te staan, omdat hy oortuig is dat hierdie soort beleggings se era nou aangebreek het.

„Aandele, eiendom en kommoditeite het hul tyd gehad," sê mnr. Du Toit. „Die vinnig groeiende omset van vaste-rentedraende beleggings, en die toenemende vraag hierna, is 'n goeie aanduiding van die groeiende belangstelling in hierdie vorm van belegging."

Die ondervinding wat mnr. Du Toit in beleggings verwerf het sedert hy op 20-jarige ouderdom by Senbank aangesluit het — ná agttien maande by Standard-Bank — strek oor onderwerpe soos: navorsing, ontleding, korporatiewe finansiering, beleid, strategiebepaling, beleggingsdienste en -advies.

„'n Mens moet eintlik meer as 'n dekade in die beleggingsveld staan — die vele stygings en dalings meemaak — om deurdagte vertolkings van tendense te kan maak," sê hy. „Beleggingsraadgewers sonder ervaring is volop, maar diegene met die ervaring, moet nie onderskat word nie."

'n Mens kan dus goed verstaan waarom mnr. Du Toit ook 'n deeltydse lektor in die filosofie van beleggingstrategie aan die Skool vir Bedryfsleiding is. Waar kry 'n mens 'n beter persoon om die filosofie van die mark te doseer, as een wat heeltyds daarin staan?

Hy raak opgewonde wanneer hy aan die mark dink: „Die mark probeer altyd vir die belegger 'n boodskap oordra. Die mark is gebaseer op verwagtings. Dit verdiskonteer groot dinge — goed of sleg — in die toekoms."

By sy aanstelling as hoof van die kapitaalmark — regstreeks uit die beleggingsafdeling — het hy hom vertroud gevoel met vaste-rentedraende beleggings omdat dit so 'n integrale deel van die beleggingsveld is. Dit was net die leners in die kapitaalmark wat hy beter moes leer ken.

„Hierdie mense — gewoonlik plaaslike besture en openbare korporasies — kry 'n totale finansieringsdiens van die aksepbanke. Nie net is dit nodig om oor rentekoerse met hulle te besluit nie, maar hulle moet ook van raad bedien word oor wanneer om te leen, hoeveel, en of hulle hoegenaamd by tye moet leen."

Aanvanklik — en soms nou nog — het die bepaling van rentekoerse vir hom slapelose nagte besorg. „'n Mens slaap nie lekker nie nadat jy op 'n rentekoers besluit het en die uitgifte moet nog onderskryf en volskryf word," sê hy.

„Instansies is sensitief, en onder-volskrywing kan hul beeld skaad. 'n Oorvolskrywing plaas natuurlik die deskundigheid van die aksepbank onder verdenking dat dit té veel vir die lening betaal."

Die midde-weg, of die regte rentekoers, is natuurlik wanneer die uitgifte net effens oorvolskryf word. Maar om dit elke keer te laat gebeur, kos kopkrap aan die kapitaalmarkdeskundiges se kant, sê mnr. Du Toit.

En skaars is 'n uitgifte volskryf, of die volgende taak moet aandag geniet. Wanneer sake dol gaan, volg die uitgiftes bo-op mekaar en in vinnige sarsies. Miljoene en miljoene rande kan binne weke ingewin word vir leners.

En uitgiftes is nie al wat mnr. Du Toit se aandag verg nie, hoewel dit so lyk. Hy het 'n vrou en 'n tweejarige seun, en hoop om nog 'n kind te hê. Sy ander vrye tyd bestee hy aan die Kerk.

Hoewel hy reeds in 1971 getrou het, het hy én sy vrou nog gestudeer. Sy het op Wits 'n B.Sc. met wiskunde en statistiek behaal, en het voor die geboorte van hul seun in die komperveld gewerk.

MNR. PIETER DU TOIT

RAND DAILY MAIL, Wednesday, March 19, 1980

PROPERTY MAIL

Yet another recognition for Sanlam

58 30

RDM 19/3/80

INTERNATIONAL recognition as one of the major developers of shopping centres outside the United States has again been accorded Sanlam by the authoritative American journal, the National Mall Monitor.

The journal, which circulates internationally and specialises in shopping centre information, places Sanlam eighth in its latest annual listing in respect of gross lettable shopping areas controlled by companies, excluding those in the United States.

With an area of 2 529 907 square feet (235 028 square metres) under its control Sanlam is shown as being ahead of the Ayala Corporation of Metro Manila in the Phillipines (1 838 580 square feet), ninth, a position occupied by Sanlam in a previous listing. The list is headed by the Cadillac Fairview Corporation Ltd, located in Toronto in Canada, which controls more than 16,4-million square feet of lettable shopping area. Sanlam is the only South African company listed.

Commenting on Sanlam's listing, Mr Etienne le Roux, assistant general manager of Sanlam, said that the addition of two new large shopping centres, Sanlamsentrum Middestad in Pretoria ($12\,000m^2$) and the Sanlam Golden Acre ($15\,000m^2$) in Cape Town, which are both now operating successfully, had contributed to the prominent position held by Sanlam in world shopping centre development.

"A feature of our property portfolio has long been the development of shopping centres at growth points in the Republic and we have been able to build up a great deal of specialist knowledge over the years in this field," he said.

Mr Le Roux broadly endorsed the views of the National Mall Monitor in the article accompanying its listings in which it made reference to the worldwide trend towards smaller shopping centres in place of large regional centres and to the redevelopment of prime central business district sites.

"Apart from some exceptions I think that the demand for large regional shopping centres in South Africa has now been largely fulfilled at present but a massive upsurge in the economy could change the picture in later years," said Mr Le Roux.

MONEY MARKET

FM 21/3/80

Easier and easier

Money market dealers seem to have reached consensus that short-term interest rates should continue to fall for at least six months.

Rates could drop another 50 points, putting prime 90-day bankers' acceptances at about 4,20%, before they begin firming. Around September industrial and commercial credit demand is expected to reach levels sufficiently high to force some hardening in rates. And August tax payments by mining houses will probably siphon off as much as R1 000m from the banking system.

Dealers claim this forecast is largely unaffected by the recent easing in the gold price — pointing out that even at $450 the price is high in historical terms — except insofar as the mining companies account for future tax liabilities on the basis of a lower current cash flow. But it could be

affected by a higher gold price, the way in which the Budget deficit is financed and the value of the rand.

Clearly, Pretoria is worried about a liquidity build-up and is likely to take action to neutralise as much surplus cash as possible. Cash is rapidly flowing back into the financial system as government departments spend the last of their 1979 budget allocations. April and May are traditionally liquid months, in addition to which there is a R337m government stock redemption in April, which some dealers doubt will be rolled over.

On the other hand, some experts believe the Treasury will take the opportunity to raise around R150m in "new" money as part of an estimated R2 100m borrowing requirement for fiscal 1980/81. (Treasury could tap the Public Debt Commissioners for R1 500m, leaving R600m to be raised from the private sector in four tranches over the year.)

As a result of a R150m cash inflow last weekend, attributed mainly to oil and gold funds, the discount houses came out of the Reserve Bank without forfeiting assets discounted at the month-end when the overall market shortage amounted to about R300m. However, after further withdrawals from the private sector, the houses were back in the bank for about R100m by Tuesday.

Dealers say there is no firm evidence yet of investors moving back into longer-dated paper in the face of low short-term rates. The falling gold price and uncertainty over possible changes in prescribed asset requirements in next week's Budget have heightened their caution.

tions. At no time, however, can it be expected to depart from the basic PFP ideological approach — the removal of race discrimination in a federally constituted SA.

A party spokesman said the commission could not be expected to work faster. The scope of its ambit was large, and it needed to come up with a policy that had been well considered and carefully tested.

But it remains surprising that, at a time when economic considerations are of the utmost importance in SA, the PFP cannot speed up the process of devising a policy in line with today's demands. At least the commission could have come with an interim report. Or is there dissension within the party on what form the new guidelines should take?

In the meantime, the party must battle along with its present guidelines — devised some 15 years ago.

FIXED-INTEREST SECURITIES

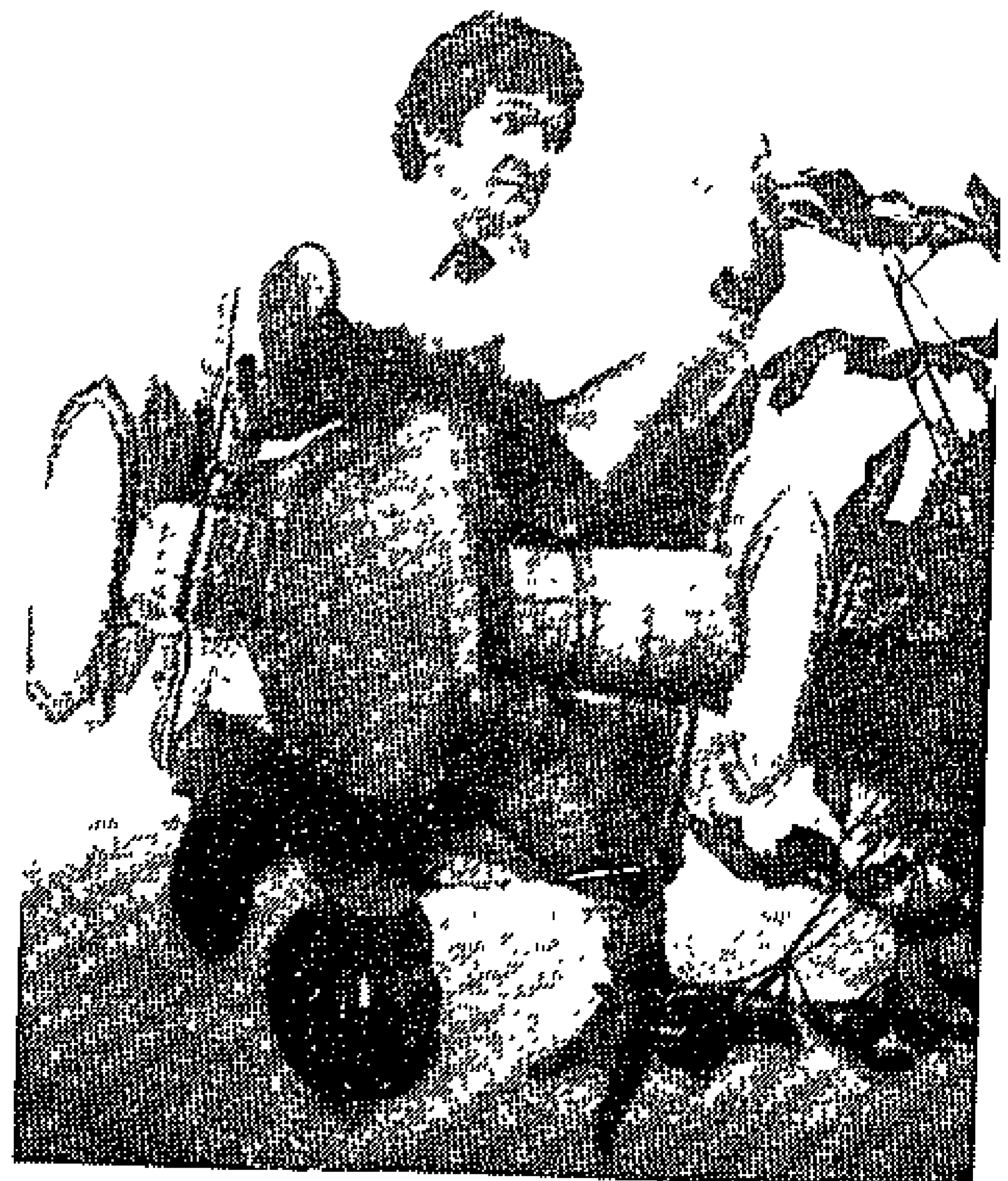
Too many jobbers

FM 21/3/80

The nominal value of gilts purchased on the stock exchange reached a hefty R544m in February, almost twice as high as in the previous month and higher than any month last year. Turnover in the first week of March alone was over R219m.

Given that the JSE claims to have about 60% of the total market in fixed-interest securities, this seems to indicate extremely active trading. Yet, despite high turnovers recorded by the JSE, dealers off the floor claim that trading volumes have been thin in recent weeks, with the institutions maintaining a low pre-budget profile as they await fresh fiscal directives.

This suggests that the JSE's published figures probably need careful interpretation. They are compiled from brokers' individual returns, and merchant bankers point out that a single parcel of stock passing through a broker's hands, from buyer to seller, is recorded on both legs of the transaction, thus doubling the apparent trading volume.



Fredericksz . . . looking at long-term market

When several brokers are involved, each records the transaction and the figures are further overstated. One dealer outside the JSE speaks with alarm of an "inner circle" that encourages turnover and points to the excitement engendered on a quiet day in the market by the indication that R28m worth of a particular stock has apparently changed hands. As a result, demand quickens and prices rise until it becomes apparent that it was merely a R2m parcel that was doing the rounds of the jobbers.

Another factor discouraging high gilt turnover is that long-term rates have fluctuated sharply. Since the beginning of the year, long-dated Escom stocks, for instance, dipped 15 points in January from a December high of 9,60%, moved up in February, fell to around 9,33% in early March, and are currently trading at about 9,42%. Long-dated RSAs have fluctuated within a narrower band over the same period, moving from 9,23% at the year-end, dipping in February to 9,16%, and are now about four points up on that.

Market operators say the fluctuations indicate there are too many jobbers looking for quick trading profits and not enough investors. According to one banker, short-term operators opened positions, as rates fell, in anticipation of stable investors moving in But investors remained cautious, no doubt by the decline in the gold price.

One market view is that long-term rates are "caught in the middle." They should be both higher, reflecting the rate of inflation, and lower, in line with short-term rates, which have eased under pressure from the recent massive influx of gold-related liquidity.

But long-term rates are most likely to ease before they begin to firm. Says Nic Fredericksz of UAL: "Last year's liquidity build-up reflected itself more in short-term rates than in long, which remained relatively stable. This was because the institutions bought forward early in 1979 and warehoused most of their year's requirements. Today, they do not have large forward positions, and performance imperatives suggest that they enter the long-term market because short-term rates are so low."

Market consensus is that, depending on imponderables like the performance of the gold price, fiscal policy and liquidity draining measures adopted by Pretoria, long rates could begin to firm in the last quarter of the year.

Some early indications might be gleaned from the next issue due on the primary market, the R25m Johannesburg loan, which is currently looking for underwriters. The 22-year loan offers 9,42%, all-in, which is two points below the recent Cape Town issue, and a nine-year loan at 8,64%. Given that Escom is currently selling eight-year stock at 8,20%, the nine-year rate looks generous. But investors are likely to remain sticky on the long end.

58

Fm 21/3/80

A well oiled springboard

For Abercom shareholders, the 81% increase in pre-tax profits (R8,7m) for the year ending June 30, 1979, must have come as an almighty relief. The previous year had shown a massive slide of 56% to R4,8m as adverse economic conditions took their toll on the diversified engineering group with interests in industrial fans, springs, components, light and heavy metal forging and pressing.

Coupled with this were, to quote the *FM* at the time, "severe management problems as the one-time swashbuckling conglomerate shuddered in its metamorphosis from the McLean/Lurie management style into a group with an orthodox management structure working towards high asset utilisation in a conservative management by objectives framework."

Under Murray McLean and David Lurie, Abercom's original architects, the group grew (and so did its profits), through acquisition, into an unwieldy conglomerate which, as was shown in ensuing years, became unmanageable. There was a time when virtually not a week passed without Abercom punting for yet another take-over or merger.

Then, on top of this, there was what has been described as McLean's highly dictatorial style of running the show in which he insisted on having a say in virtually all management decisions, no matter how big or small. As a result, the quality of management which developed within the broad spectrum of companies in the group

OFF THE BOTTOM

	'76	'77	'78	'79
Return on cap %	23,2	19,6	11,0	14,1
Turnover (Rm)	93,8	100,7	99,0	132,8
Pre-tax profit (Rm)	12,2	10,9	4,8	8,7
Gross margin %	16,0	13,6	8,2	9,2
Earnings (c)	59,6	56,2	26,4	48
Dividends (c)	29	29	17	20
Net asset value (c)	263	295	280	290

Herbert . . . splendid group of self-starters

was such that it was either unwilling or incapable of taking the initiative and making decisions.

When Peter Herbert, expatriate Englishman and Harvard Business School graduate, came to the helm as MD, this changed — it had to. "Abercom just got too big," explains Herbert. "There were massive post mortems and we had to decide which elements were relevant to the group's overall structure and which should change." Important too, and Herbert stresses this, was developing a suitable style of management.

"I'm not McLean. His way of handling things worked — for him. And let's face it, without him we wouldn't have an Abercom today," says Herbert. "I don't have the detailed knowledge of how the day-to-day decision making of each one of Abercom's 35-odd operations works."

One of the first priorities, therefore, was to upgrade management within individual companies, and "quietly and stealthily" the bulk of Abercom's top management was replaced. Herbert now has a "splendid group of self-starters" reporting to four established divisional directors, who in turn are responsible to top management.

A budgeting and review system, in May each year, was instituted. "These are really credibility building sessions and we spend a lot of time on non-quantitative aspects. MDs lead us through their markets, where they're going etc, right up to what they want to achieve."

Although relationships are not structured on authoritarian lines, there is a certain formality in the atmosphere at the meetings which are rather tribunal-like.

Results are monitored every month . . ."if they start to move away from defined goals, we want to know quickly."

Individual companies are encouraged to maintain separate identities and develop their own "cultures" and, although it has often been suggested that Abercom's interests (with five spring manufacturers, for instance) would best be served by a more centralised management, Herbert is against amalgamation. "This would destroy morale, which is high now because managers have the autonomy to act on their own authority."

The big thing, though, is keeping communication channels open, says Herbert, who abhors written memos ("They're invariably used by people for self protection,") and insists on talking things out. MDs make their own decisions, except where capital expenditure is concerned, and if need be, consult with divisional directors. "Our decison making chain moves upwards, not downwards."

While Abercom has highly generalised overall marketing strategies, says Herbert, it lays down no distinct strategy for individual companies. On exports, for example, he says: "When the economy was on its knees, we said get out there and find work." Where feasible, group companies did, and although margins might have been narrow on overseas markets, "at least it was work."

But as business conditions improved locally, so companies have tended to withdraw from foreign markets. "We had to say to some companies, though, that in the short term they might like to get out of foreign contracts, but we asked them to think again." Boom times might not last forever, and sound export bases shouldn't be sacrificed unnecessarily.

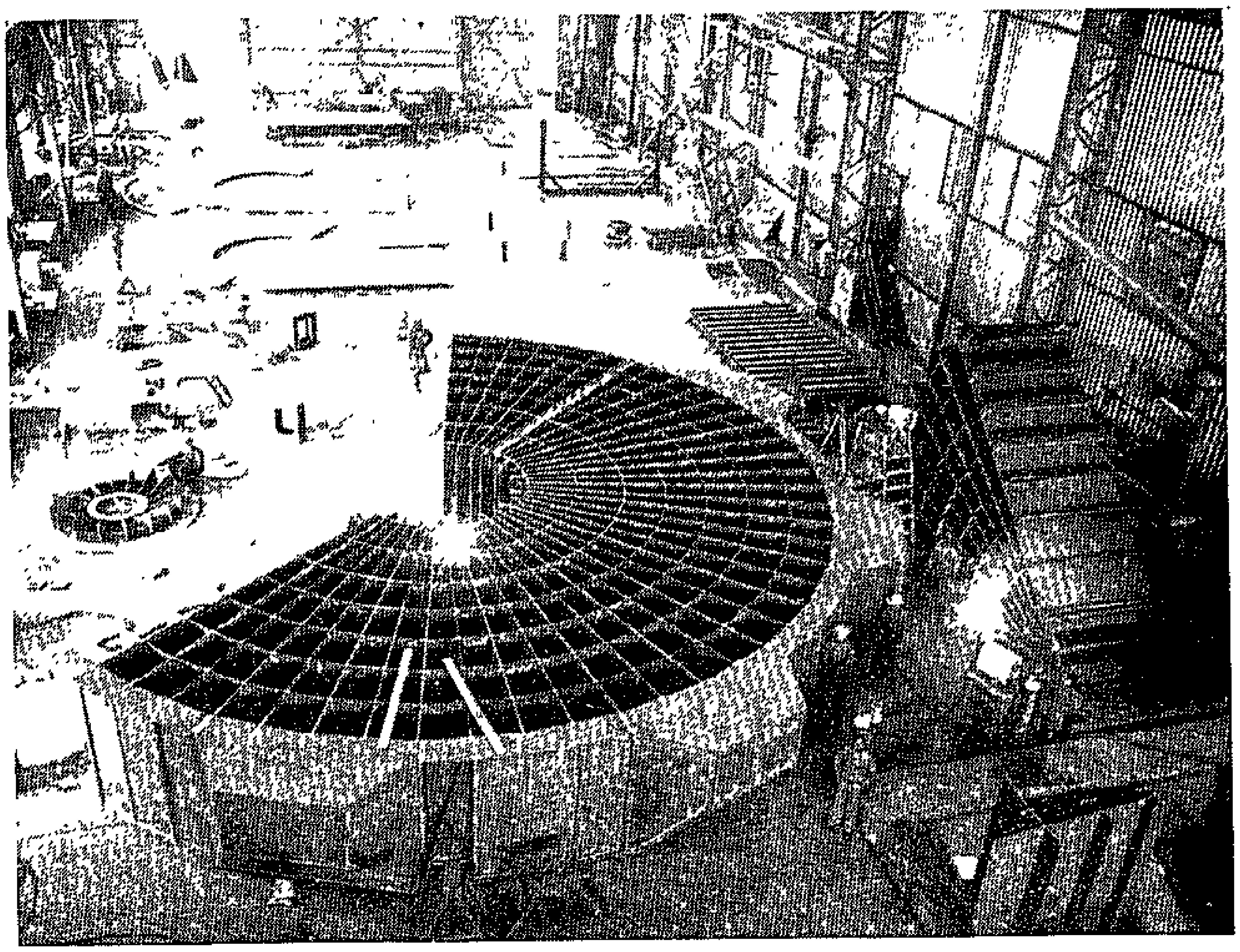
Then there was the matter of shedding companies which didn't fit into the Abercom mould. Policy was to move away from marginal activities unrelated to the group's central areas of technology and to create growth on existing expertise.

Thus, interests in companies like Flekser Steel and Emaillett & Thorkor were sold. Indications are that more disposals are in the pipeline, but Herbert won't let out which companies are affected. "Some are probably good profit earners, but are alien to our base activities and therefore candidates for divestment," he says. "But to sell, we've got to wait until the market's just right."

"Our decision-making chain moves upwards not downwards"

Similarly, acquisitions have been to complement existing operations. These included MP Springworks and 50% of Taycon Products "to bring highly specialised knowledge to the group, which we lacked, in their respective fields." Davidson France SA acquired the assets of a French manufacturer of industrial fans, Berry, thereby spreading subsidiary Airtec-Davidson's industrial fan manufacturing operations into a coherent international grouping.

Herbert is loath to plan beyond three years at the most, and firm budgets are only developed for the immediate year. But he is supremely confident that Abercom will ride the crest of the present economic surge.



Airtec-Davidson plant . . . coherent grouping

TS AS AT 29 02 80 PAGE 6 13010

58

COURSE	DESCRIPTION	SYMBOL			
~~105103~~	~~GREEK & ROMAN LIT & PHIL~~	~~ABS~~		~~1~~	~~155657T~~
115102	FRENCH INTENSIVE	ABS		1	152302A
~~107101~~	~~ENGLISH I (PRE 1984)~~	~~3RX~~		~~1~~	~~152210H~~
110301	HISTORY III	3	(53)	1	114687K
~~111101~~	~~CULTURAL HISTORY OF W.E. I~~	~~3~~	~~(52)~~	~~1~~	~~162050K~~
104101	ARCHAEOLOGY I	F	(45)	1	135749D
~~104101~~ 105107	~~ARCHAEOLOGY I~~ ANCIENT HISTORY I	~~UP~~ ABS	~~(55)~~	~~3~~	~~156722A~~
115103 ~~120105~~	FRENCH I ~~GEOLOGY IA (HALF COURSE)~~	F ~~F~~	(42) ~~(46)~~	8	159211F
114101	RELIGIOUS STUDIES I	UP	(53)	1	155354H
~~[illegible]~~	~~[illegible] (HALF COURSE)~~	~~UP~~	~~(54)~~	~~1~~	~~1[illegible]495~~
905101	SOCIOLOGY I	3	(51)	7	156890H
~~[illegible]~~	~~AFR [illegible] INTENSIVE (X4954)~~	~~UP~~	~~(55)~~	~~1~~	~~155761F~~
905101 105102	SOCIOLOGY I ECONOMIC HISTORY I	UP F	(55) (41)	3	154438T
909101	CHEMISTRY IA CH. 102	F	(47)	1	150755P
118101 ~~502113~~	CULTURAL HISTORY OF W.E. I ~~HISTORY OF ART I~~	UP ~~F~~	(50)	3	160163J
102103	AFRIKAANS EN NEDERLANDS I	ABS		1	154496A
~~102101~~	~~AFRIKAANS [illegible]~~				

able for investment, being cash and bank deposits. On the gearing front, the long-term liability of R750 000 has been transferred to current liabilities and is the only obligation.

As usual no forecast is offered for the current ar. But one thing is sure: it will be e. emely difficult, if not impossible, to match last year's growth. Suffice to say that, on an historical yield of 6,1% compare with the sectoral 5,7%, U & L still offers good value.

John White

results and dividends

been sold and replaced with R1m worth of Escom 10,25% 2003. And in current assets, trading investments have risen from a market value of R124 000 to R614 000. If these may be classed as quick assets, to this can be added another R559 000 avail-

UNION & LONDON

A great year

Activities: *Investment trust with diversified listed portfolio. Subsidiaries function as merchant bankers and providers of venture capital. Largest single holding is in Southern Sun Hotels (1,8m shares). Ultimate holding company is Sage Holdings with 60%.*
Chairman: *H L Shill, executive director W Grant*

Capital structure: *1,2m ordinaries of R1. Market capitalisation R7,9m.*
Financial. *Year to December 31 1979. Borrowings: long and medium term, nil. Net cash R826 000. Debt equity ratio 6,8. Current ratio 1,7.*
Share market: *660c (1979 80 high, 660c, low [illegible]). Trading volume last quarter, [illegible] shares. Yields: 7,5% on earnings, 6,1 dividend and Cover: 1,2. PE ratio 15,0.*

	'76	'77	'78	'79
Dividend [illegible]				
[illegible]	297	2[illegible]	404	652
[illegible]	13,6	[illegible]	33,1	50,9
[illegible]	16,5	21	25,0	40,0
[illegible]	291	[illegible]	424	900

Traditionally, investment trusts can be relied to move in tandem with the market's major indices particularly if the portfolio is widely diversified. That U & L achieved a substantially higher rise in nav than either the JSE overall index, which rose by 32,5% over the same period, or the all gold index, which rose by 100%, is due to the emphasis on gold producers in its portfolio and the coming to market of its major unlisted investment, Southern Sun Hotels.

For the record, nav increased by 119%. And in vindication of higher share prices, earnings advanced by an equally impressive 53,8% to reach 50,9c after adjustment. For shareholders, there was also the satisfaction of receiving a 60% higher dividend of 40c.

As for the portfolio, there were no sales this time round if one excludes the reduction in the Southern Sun stake as a result of founder Sol Kerzner exercising his option to repurchase 1,25m of the original 3,0m shares held by U & L. But there were several additions, encompassing a broad range of industrial activities.

The largest single investment made last year was the purchase of 100 000 Nedbank, which had a market value of R515 000 at the end of December. This represents the first foray into banks and financial services and accounted for as much as 9% of the portfolio total of R[illegible]m (again excluding Sosun which is held by a subsidiary). Other notable additions were HLH (94 000), Russell Holdings (100 000), Metal Box (35 000) and 45 000 Sasol.

The deal with Sosun, labelled by chairman Louis Shill as an investment cum banking partnership, was something of a classic. And in the belief that it can be repeated, U & L has since the year-end bought a 50% interest in Karena Holdings, which in turn holds the franchise to the Hertz car rental business in SA. This investment is shared with Noel de Villiers who incidentally was instrumental in getting Avis off the ground. While no significant contribution is expected from Hertz this year, neither are the purchase price and terms that onerous, R1,2m in cash over the next four years.

On the dealing side, RSA 11% 1998 has

58

DIAGONAL STREET

Broad advance FM 21\3\80

With the bullion price bouncing sharply back to above the $500/oz level at mid-week, both gold and industrial counters scored attractive advances on Wednesday, recovering some of the past fortnight's losses.

Most brokers ascribe the rise in gold to

Financial Mail March 21 1980

a technical reaction to the sharp fall to the sub-$500/oz region, although some reports indicate Swiss bankers are apparently worried about fresh activity on the Iranian border with Afghanistan. Reports from Zurich also indicate that SA has not, in fact, released any gold on to the market in the past week.

Overseas buyers were evident in Johannesburg on Tuesday night, immediately ahead of the recovery, taking some of the heavyweights. As a result, Randfontein gained 200c to 6 925c, Stilfontein 150c to 1 600c and East Drie a similar amount to 2 500c.

One feature of the market in the early part of the week — which was countered by increased institutional buying on Tuesday afternoon and foreign intervention that evening — was the beginning of the withdrawal of the small investor.

The man-in-the-street was apparently content to ride out the first part of the decline — partly out of a sense of disbelief, according to one market watcher — but the severity of the fall in gold has finally hit home and sporadic small selling started last Friday, continuing through Monday and Tuesday, but coming to a halt on Wednesday.

Brokers stress, however, that there is no panic and selling orders are patchy.

Analysts are understandably hesitant to go much further in forecasts of the short-term bullion price than to applaud the mid-week uptick.

DATES TO REMEMBER

Last day to register for dividends:
Friday March 28: Adcock 59c; AECI 18c; African Cables 7c; Amgold 350c; Amic 72,5c; Anamint 630c; E Bateman 11c; Carrig Diamonds 1c; Cor Syndicate 30c; D&H 11c; De Beers Ind 65c; DRG 11c; Duiker 18c; EP News 14c; Falcon 150c; Goodhope 2,5c; Group Five 5c; Gubb & Inggs 8c; Harmony 165c; Hesperus 6c; Industrial Investment 35c; M&F 16c; Mitchell Cotts 8c; Montays 5c; National Veneer 2,5c; Remb Beh 11,3c; Remb Group 15,5c; Rhd Cables 9,91c; Seardel 6c; Suncrush 10c; Tegkor 9,7c; Tib 9,7c, Trek 9c; Tweefontein 97c; Witbank Cons 33c.

Meetings:
Monday March 24: Haggie; Willsgrove (Z Rhodesia).
Wednesday March 26: Berkshire (E London); Coates (Cape Town); Kohler.
Thursday March 27: Dunswart; Union London.

All meetings are in Johannesburg unless otherwise stated.

Meanwhile, the *FM* learns from Zurich that Cons Gold has been making moves to ensure that De Beers/Anglo do not break their promise on exceeding their recently acquired 25% holding of Cons Gold. Top brass have apparently been canvassing large holders of Cons Gold in Zurich over the past week to ensure that, should further bids materialise, they will be resisted, or at least brought to light earlier.

Other precious metals were even mor badly hit over the past week before reco vering in line with gold on Wednesda The message from the market, howeve is that the extent of the decline in meta and commodities has been overstated. Ir pala Plats, for instance, recovered at mi week to 685c — fractionally higher th the level at the same time last week aft a fall to 640c in the interim. Sugar stoc despite a drop in the London price under £200/t, remain virtually unchang over the week.

The sharp fall in gold began to c doubts on the strength of the econo revival and of the growth path in fi investment, and industrial shares h eased over the past two weeks in sym thy. But the mid-week revival was st enough to reverberate right across board.

Although there were fewer com results coming out in the past week, t that have appeared have continue show improvement. Field Industries one, increased attributable profi R559 000 in the year ended Decembe from R456 000 in 1978, giving earning share of 13,3c (10,9c). Swafish incr eps to 96c (85c) in 1979 and pai unchanged total dividend of 60c.

Scott H

foreign bour

Bank backs down on bumf

RDM 21/3/80

(58)

By HAROLD FRIDJHON

TO ITS credit, the South African Reserve Bank has modified its regulations about using forms A and E which since the beginning of February had to be filled in for every foreign exchange transaction of more than R50.

These forms not only threw an unmanageable work load on the commercial banks and other authorised dealers in foreign exchange, but they raised a tremendous resentment in commercial circles, as well as irritation among tourists who had to complete a foolscap sheet which required answers to many seemingly unnecessary questions, not the least of which was date and year of birth every time they wished to cash a traveller's cheque for more than $80.

As a result of the changes, tourists may now cash their traveller's cheques without being caught up in a welter of forms and tangles of red tape.

It's as you were. The banks now have to make omnibus periodic returns to the central bank for statistical purposes.

Forms A and E were designed to provide the bank with useful statistical information, but as one authority said: "They gave the impression that South Africa was tightening up exchange control instead of going along the road towards relaxation."

Under the previous regulations whenever a company, for example, wished to buy foreign exchange either to pay pensions or to remit dividends to foreign shareholders, a separate form had to be completed for every individual payment.

The Reserve Bank has now ruled that only one form will have to be completed for a batch of payments. This is a big saver of time at company level, not to mention time saved at the commercial bank — and possibly at the Reserve Bank.

Another big step forward is the revised regulation governing the purchase of foreign exchange for the payment of imports. The previous regulation required the importer to exhibit to the bank all the documentation covering each transaction. Again a waste of the customer's and the bank's time.

This requirement has been wisely changed.

Major South African importers may now buy their foreign exchange without a sheaf of documentation. All they have to do is to provide the bank with a letter from the company's financial controller giving all the necessary details. But bureaucracy is not to be thwarted.

All the documents for all their import transactions must be retained among the company's records for two years so that they will be available for inspection by exchange control inspectors.

One of the problems arising from this regulation will be the defining of what is a major importer and what is a small importer.

This is one of the subjects about which the banks are still in discussion with the authorities in Pretoria. It is not the only subject, however.

I am told that the revised circular is ambiguous is many respects and bankers and the central bankers are still trying to agree on what has been written and what thoughts the Reserve Bank intended to convey.

22/3/80

Insurance

The many aspects of insurance

By Wynand van Eyssen

IF we knew how long we were going to live, or exactly when disability, perhaps as the result of a traffic accident or sickness will strike, life assurance would not be entirely necessary. But life being what it is — full of upsets — the short answer to our question is, virtually everyone needs assurance. Yes, even many people who already have some form of life assurance.

Many people around us do have some form of life assurance, but unfortunately are under-insured. That is the finding of assurance representatives and brokers who daily analyse the life assurance needs of people in South Africa.

All life assurance purchases should be based on the needs of the individual. These should be conveyed to the insurance representative or broker and be the guideline for the type and size of policy requested.

People's needs vary of course, and can be satisfied in many ways. The main need probably is security because, without it, planning for the future becomes meaningless.

Efficient method

Life assurance offers the most efficient method of obtaining adequate security. Generally most people want to be protected against the hazards created by unpredictable eventualities such as death, disability, unemployment and even the problems of old age (often foreseen only when it is too late to take effective counteraction).

Let us look at the scene from the viewpoint of Amanda. When a baby, her father would have done the right thing if he had taken out a Child's Deferred Policy that would give her at, say, the age of 18, the option of taking a cash payment to help her pay for her college studies, or something she could convert into a profitable life policy at very low rates.

Let us assume she becomes a stenographer or private secretary. A wise girl would not spend her entire salary on clothes and gadding about She would set aside some money in a savings account and at least R20 per month for an endowment life policy maturing at, say, age 45 or 50.

Saving

This would compel her to save and also give her some death cover so that there will be money for payment of final sick-bed and death expenses, whenever this may occur.

Old Mutual's Her Own Policy provides this kind of cover, but also has the option that she may convert it into assurance for her husband within three months of their marrying.

Peter, her husband, would normally have insurance cover by the time they marry. A high priority for married people is life assurance large enough to cover the bond on their house or apartment and to protect the income of the family.

This could take various forms, ranging from a simple term life policy, available at low rates and providing cover for a fixed period of years, to more sophisticated life policies that provide death cover and a share of bonuses.

If Amanda stays unmarried, then she should give early consideration to a with-profit life policy that would enable her to build up an estate and give her a policy that has loan value.

As a career girl she would be able to get several kinds of additional benefits to protect her income even if she became disabled or unable to practise her profession. A very useful additional option is a Guaranteed Insurability Benefit that allows her to take the same amount of assurance every three years or so without having to obtain further medical evidence of good health

A large part of the premiums on such policies can usually be deducted from income for income tax purposes. The ultimate pay-out is of course also free of income tax.

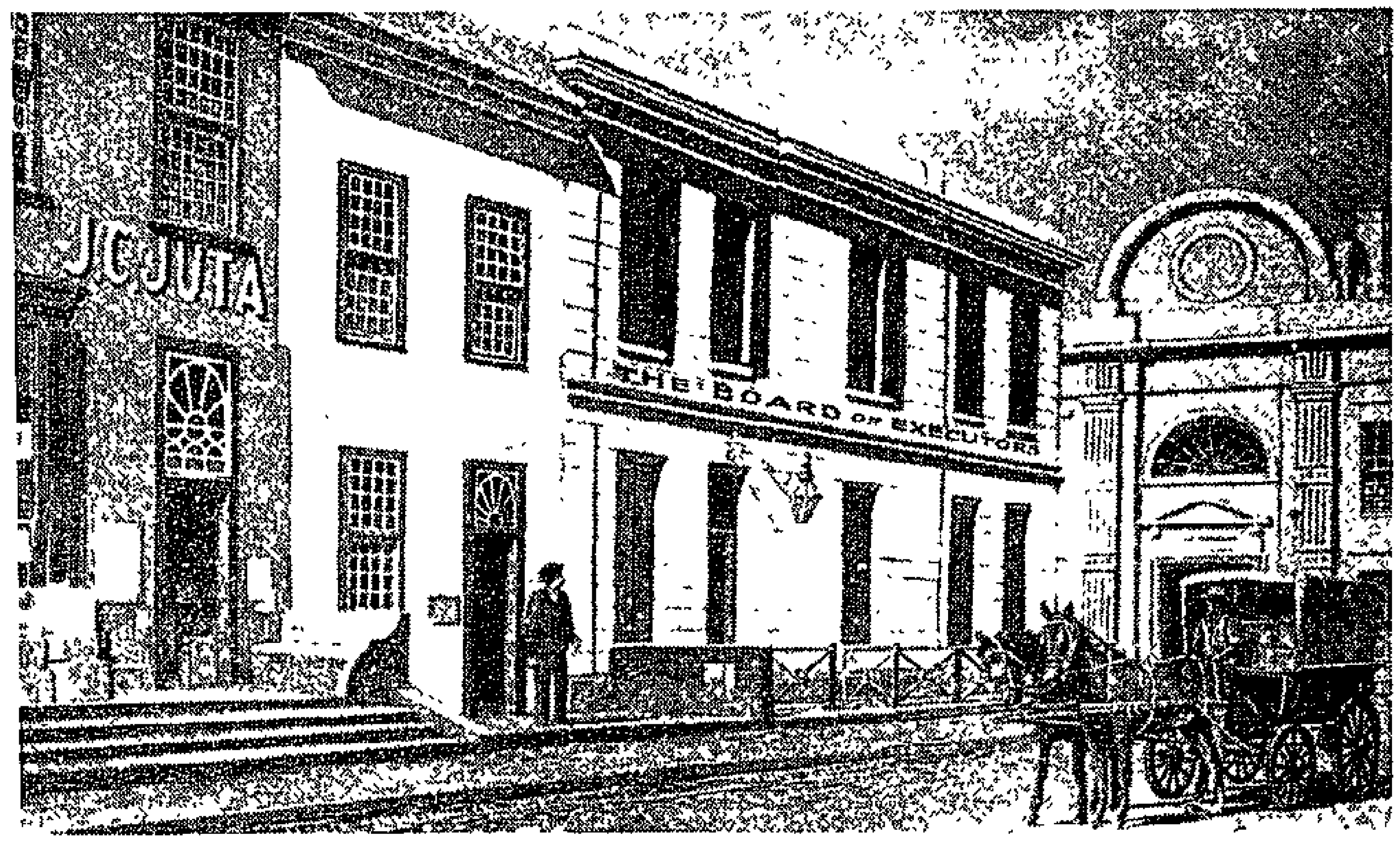
The career girl or man earning a good salary or income will sooner or later find it profitable to invest in a retirement annuity policy, with or without death benefits Taken at a youthful age (say before age 30), this kind of policy, that returns (at current bonus rates) more than nine percent compound, offers a very substantial pay-out on retirement in the form of cash (maximum of one-third) and monthly income cheques.

If Amanda becomes a very successful business girl she will probably run into the problem experienced by some businessmen that the maximum amount allowed by the tax authorities for deduction from income for retirement annuity policies and pension (R3 500 a year or 15 percent of salary whichever is the higher) still leaves her with too much taxable income. She could consider investing in a pure Endowment Policy. This gives a profitable return on the investment but with reduced death cover. The premiums are usually deductible for income tax purposes

If Amanda or Peter become partners in a profitable business they and their fellow partners should consider the need for assurance to protect them against the loss of one of the partners, who usually is a valuable asset in the business. The sudden death of such a person can create great problems for the surviving partners or their families

In the normal course of events Amanda will probably marry and become the happy mother of a family. As long as her husband is well insured the family income can be protected with life assurance. But what would happen if Amanda died suddenly, leaving her husband with the childen?

It would be wise if she had some life assurance to help her husband preserve their standard of living If her children are young he may have to hire additional help to look after them and the household There is also the cost of an expensive sick-bed and death-bed to bear in mind.



● The original building of the Board of Executors on the corner of Adderley and Wale Streets was on a site first occupied by the hospital of the Dutch East India Company. The hospital was later converted into houses in the Old Dutch style which the Board bought for £3 000 in 1856.

Insurance and the Board

THE Board of Executors was founded in Cape Town by Act of Parliament in 1838 and started insurance activities in the early 1900s. The Insurance Department did not canvas business but merely attended to the requirements of The Board and its clients

Although the volume of business was not great in those days it is said that the quality was good and Underwriters found the business profitable. The department grew and subsequently acted as chief agent for various insurance companies till 1974 when on July 16 that year it was announced that The Board was moving into the insurance broking field and the present company, namely The Board of Executors Insurance Brokers (Pty) Ltd, was launched and the activities of the department incorporated in the new formation.

In 1977 the company moved to its present office in the Old Reserve Bank Building and the next year Ellerman Industrial Enterprises (Pty) Ltd became shareholders with the Board.

When Mr P Garrett became chairman in January 1979 he considered gaining access to Lloyds of London as a matter of priority. This was realized soon when Clarksons of London acquired a shareholding

Membership was sought of the South African Insurance Brokers Association (SAIBA) in 1979 A head office was formed in Cape Town and the scope was further broadened with the opening of branch offices in Johannesburg and Durban.

The Cape Town branch is headed by Mr Dennis Quinn, Johannesburg by Mr Trevor Williams and Durban by Mr John Kennard

It is the aim of the company to increase business in Johannesburg substantially and eventually it is planned to move the head office to that city

A spokesman for the company said that in general terms it was the corporate objective to provide the best possible broking service to its shareholders, clients and the public. They were working towards more personalized attention linked with flexibility and professionalism

It is envisaged that the employment of life estate planning will form a major part of the company's further broking operation and the newly-established Reinsurance and Risk Management arm will assist in achieving the overall objectives

What is a broker?

A company spokesman, when asked to comment on the insurance scene, said that insurance was the means by which both corporate and individual losses could be protected in the event of an unforeseen or unavoidable loss. Such losses, if not insured against, could deplete corporate reserves resulting in extreme financial burdens, if not, at the worst, financial ruin. The same holds good for the individual who has failed to insure his assets.

It is the broker who is trained and qualified to establish, by way of check-lists, surveys by experts and interviews, the precise needs of his client and because of his expertise, can buy for the client insurance covers tailored to his needs.

Further, he is truly independent when placing business, not being tied to any one company as an agent would be and his services are free to the insuring client.

The company had the expertise to give advice on all matters of insurance with the client's interests as a first priority, knowing which was the best market for the covers, be it the local or international scene

"We see our responsiblity to our clients as a continuous commitment which embraces:

- Assessment of all insurance developments with thorough knowledge of all markets.
- Selection of the best terms when placing insurance covers.
- Arranging prompt and fair settlement of claims when they occur.
- Knowing the laws governing insurance, so that we can supervise the preparation and administration of policies for legal correctness.
- Discussions and consultation at least annually on client's full portfolio."

The insurance generation gap

By Geoff London
National Mutual

HOW many young people own a crystal ball that will tell them how much life cover they will need 30 years from now?

It is tragic that when a person is young and insurance cheap, it is often the last thing on their mind. Later in life when retirement is becoming a reality, even if distant, one finds insurance cover is inadequate. At that point, life insurance is expensive and may be even unobtainable on health grounds.

This is a generation gap of another kind.

Why bother anyway? It is not a tangible thing and only really comes into its own in the privacy of one's thoughts. It can give peace of mind in knowing that in the event of death, family will not have to suffer financial hardship. If this doesn't concern you, don't bother to read further.

A widow whose husband had inadequate coverage is the person who really appreciates life assurance. When furniture is repossessed and the widow has to find a job quickly, its true worth becomes apparent.

So, what will it cost? For young people, remarkably little. Term assurance, providing life cover over a preselected period, is the cheapest form. As one gets older the cost of death cover gets progressively more expensive. This results in term assurance increasing in cost for longer terms and older people.

One step further takes us to two of the most popular types of assurance policies — the endowment assurance and the whole of life policy. Endowment assurance incorporates a very substantial savings element providing a lump sum benefit on survival of the end of the preselected term, complementing the death cover during the term.

Whole of life policy is really a term assurance extended for the whole of the person's life. Since the cost of death cover is low in early years and increases considerably with age, there is a substantial savings element in the earlier years which accumulates towards the claim values in later years.

After a few years, these savings elements under both whole of life and endowment assurance policies give rise to surrender values and a policy value against which a loan may be affected. However, they also cause these policies to be much more expensive than pure term assurance.

A young person who may not be able to afford much in the way of life assurance premiums could always take a large portion of his insurance cover as term assurance, and incorporate the option to convert in a whole life or endowment assurance later in life without having to provide health evidence.

This gives rise to another very interesting concept: insuring one's insurability.

Normally one has to provide some medical evidence when taking out a policy, even if only a declaration of state of health. If this identifies you as a worse-than average risk, the policy may be loaded with an extra charge or declined.

Because of inflation you may need to effect new policies later in life and to avoid a potential deterioration in health affecting insurability, you can normally include an option on the first policies to protect your insurability. The conversion option on term assurance is one example, and another is the Guaranteed Insurability benefit under which you can effect new policies within certain limits without health evidence.

Another way is to effect a policy providing for automatic increase in regular premiums paid in line with a particular index or a fixed rate of increase, say five percent a year.

● Adequate insurance needs good planning. It is no good having half a dozen endowment assurance policies maturing at age 50 only to find that there is little or no death cover after age 50.

Partnerships and death

A COMMON FACTOR in partnerships — which might otherwise be very successful — is that they can run into critical problems when one of the partners dies. But few businessmen fully understand the extent of conflicting interests it creates.

Words of warning come from Mr Johan Gerber, manager of advance sales services at the Southern Life Association, who has some sobering facts on the death of a partner.

"The simple truth is that when a partner dies the partnership is automatically dissolved and the deceased partner's assets are turned over to his executor," Mr Gerber says.

Unless specific plans have been made in advance to protect the business, there is immediately a major problem, which happens all too often.

On the one hand the surviving partners will strive for the continuation of the business with growth and progress in mind, but on the other hand the deceased partner's heirs will be concerned with obtaining their share of the business without delay and replacing any income that has been lost as a result of the death.

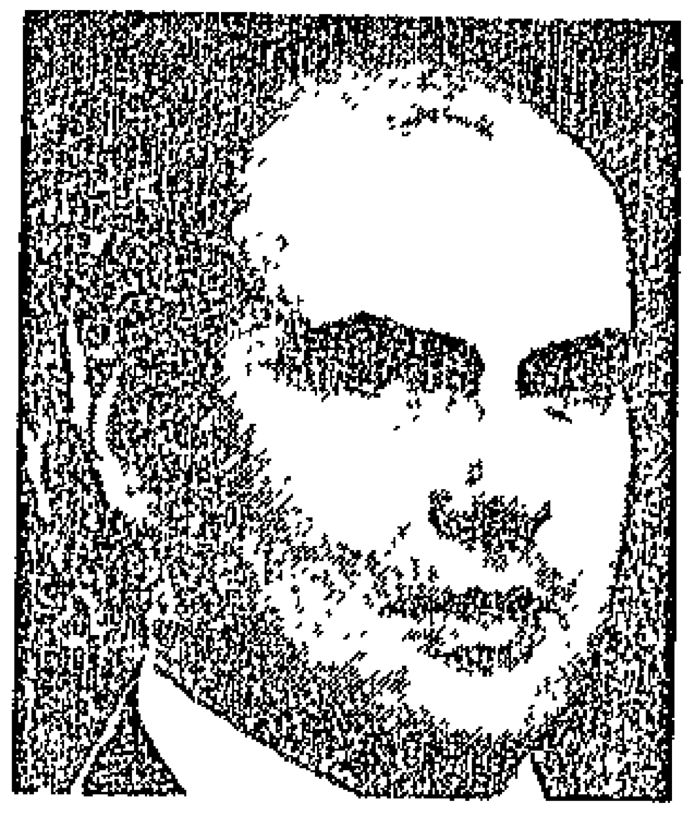
The heirs might want to take his place in the business, sell their interest or buy out the surviving partner's interest. At worst they might force liquidation of the business.

Should they decide to take his place in the business, there will be problems. Because of personality clashes they might not be acceptable as partners or they might lack experience, making them liabilities. If they would expect the same salary and share of profits as the deceased partner, the situation will be even worse.

When the heirs want to sell their interest in the business the question of a fair price immediately arise. They might expect full payment for goodwill — some of which may have been lost as a result of the partner's death — at a time when the surviving partners do not have the cash.

Mr Gerber says that the troubles really start if the heirs want to offer their interest to an outsider who might perhaps even be a competitor.

Should the heirs want to buy the surviving partners interest



Mr Johan Gerber

there could also be hassles. The heirs could hold the majority and the surviving partners' interest might also not receive a fair price, regardless of the economic conditions. They may also be forced to consider terms.

If the heirs force liquidation the value of goodwill in the business will be lost entirely. There may also be losses on outstanding accounts, stock, plant and equipment as the possibility is very real that full value may not be realized on a liquidation sale. This can also apply to fixed property.

A way to prevent all these problems is through a buy-and-sell agreement, thereby the partners agree in advance that in the event of the death of one of them, the survivors will buy the deceased's interests and the heirs will be obliged to sell at a predetermined price.

Such an agreement also has its inherent problems, which mainly revolve around the availability of money to finance the transaction.

If loan money is used there are the hassles of the extra burden it will put on the business, as a large slice of the income of the business can be spent repaying it. There is also the possibility that it can be called up at an inconvenient time.

The surviving partners could draw from current profits but can they guarantee the future profitability of the business each and every year? The strain on liquidity can interrupt or halt expansion plans, while some opportunities may be irretrievably lost.

An emergency fund can be built up, but there may not be enough time to build up a sufficient reserve. It is also not always possible for a business to tie up large sums of money which could be put to more profitable use.

It is with all these problems in mind that the Southern Life devised its buy-and-sell agreement through its Southern Business Assurance Plan.

The main features of the policy are:

- It creates an instant fund — tailored to the partners specific needs — to guarantee cash in the right hands at the right time.
- It frees the surviving partners from the worry and responsibility of finding an alternative source of funds.
- It ensures a fair deal for all. The deceased's heirs are promptly paid and the business continues with the minimum of disruption.
- It provides the surviving partners as well as the deceased heirs with economic security.
- It enhances the credit standing and financial stability of the business right from the outset.
- It is flexible — the amount of assurance can be increased or reduced as required, subject to evidence of insurability where necessary.
- The cost is low — equivalent to a very small percentage per annum of the sum required.

EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 2

STU13-9 13020 BACHELOR OF ARTS YEAR : 2 13020

Sage lifts final

58 RDM 22/3/80

By ELIZABETH ROUSE

SAGE Holdings had a 15,3% rise in earnings in the face of a continued loss in the home-building subsidiary, Schachat Holdings, over the past year and has raised its final dividend.

The final is up by 1c to 10,5c, making a total of 15c against 14c paid in 1978, on earnings of 22,27c for the year to December compared with 19,31c earned in 1978.

Sage experienced a marginal drop in earnings at the halfway stage, but performed ahead of the projection made in the interim report, achieving a 31% growth in earnings in the second half of the year.

Accelerated growth in the group's financial, investment and management companies, plus the improving trend in Schachat, pushed attributable taxed profit up to R3 007 132 from R2 607 243.

Indications are that Schachat is operating profitably and is expected to produce accelerated profits as the year progresses. However, serious shortages in labour and materials, notably bricks, have developed which will have an adverse impact on expected profitability.

All other divisions are performing satisfactorily and a further improvement in group results is guaranteed.

Ned-Equity Insurance's new business climbed to a record in 1979 and the dividend was increased by 20,8% to 7,25c.

FPS, the personal financial planning arm, maintained its unbroken growth pattern and more than R18-million was invested for clients.

In its second year as a member of Sage, West City Brokers & Consultants performed ahead of expectations, its new life premium surpassing R1 500 000.

Finplan of America made a worthwhile contribution to profits.

Union & London Investment Trust raised its dividend by 60% to 40c and Fedfund improved on its dividend foercast, paying out 12,66c a unit.

Sage Fund's unit selling price rose by 61,2% and income distribution by 32,5% to a record 15,50c. The management company, Investors Mutual Funds, achieved substantially higher profits.

Leo Computer Bureau achieved a R6-million turnover and made a valuable contribution to Sage group profits.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 5

13010 BACHELOR OF ARTS YEAR : 1 13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
159454V	MCCARTHY	MELISSA JANE	911102	MATHEMATICS IA	3	(50)	1	159454V
152965R	MEHL	ANNETTE ELISABETH INGRID	108102	GERMAN INTENSIVE	ABS		7	152965R
			502102	CHEMISTRY IB	F	(27)		
			416103	ANIMAL BIOLOGY (HALF COURSE	F	(39)		
		GIANCARLO	110101	HISTORY I	ABS		1	157093O
		KAREN	003101	SOCIOLOGY I	ABS		1	155747Q
			~~004101~~	~~PSYCHOLOGY I~~	~~UP~~	~~(50)~~		
			107101	ENGLISH I (PRE-1980)	3NX			
		JANE	118101	CULTURAL HISTORY OF W.E. I	UP	(50)	1	158469Z
		CATHERINE MARIA	004101	PSYCHOLOGY I	UP	(59)	1	157815N
			107101	ENGLISH I (PRE-1980)	3NX			
			115103	ITALIAN INTENSIVE	F	(43)		
		MELISSA RUTH PRINCE	114101	RELIGIOUS STUDIES I	UP	(62)	1	150180P
		SUSAN FLORENCE	110101	HISTORY I	UP	(50)	1	150783V
		ESTELLE	116120	DRAMA I	ABS		1	157521U
		MOGAMAT TOYER	107101	ENGLISH I (PRE-1980)	3NX		7	137983G
		JENNIFER ANNE	004101	PSYCHOLOGY I	2-	(61)	1	157560L
			115102	FRENCH INTENSIVE	F	(47)		
		~~JENNIFER ANN~~	~~911101~~	~~MATHEMATICS I M102~~	~~UP~~	~~(55)~~	~~1~~	~~155924H~~
		HANSJURG	117101	POLITICAL SCIENCE I	UP	(52)	1	157913V
		~~SHIRLEY ANNE~~	~~114101~~	~~RELIGIOUS STUDIES I~~	~~UP~~	~~(57)~~	~~1~~	~~155878H~~
		JONATHAN RICHARD	004101	PSYCHOLOGY I	3	(52)	7	162116N
		~~IAN JAMES STEWART~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		~~1~~	~~154187V~~
			110101	HISTORY I	F	(40)		
		DESIRE SHIRLEY	102103	AFRIKAANS EN NEDERLANDS I	UP	(50)	1	154286C
			~~116120~~	~~DRAMA I~~	~~UP~~	~~(50)~~		
		FREDI CHRISTIAAN	905104	CHEMISTRY IM	F	(49)	1	156134L
		~~FELICITY ANGELA~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		~~1~~	~~150154L~~
				HISTORY I	UP	(50)		
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South Africa 'most exciting' for investors

S Times 23/3/80

By JOHN SPIRA

SOUTH Africa is currently one of the most exciting investment areas in the world.

This is the conclusion drawn by Grieveson, Grant & Co, one of London's leading stock broking firms, which believes that the SA economy is poised for a period of above average GDP growth of 6% — a rate which could be sustained "even if the gold price were to fall back, as non-gold exports rise in importance and energy self sufficiency is close to attainment"

The firm adds that there may be a downturn in activity in early 1981 but it expects the current account to remain in a healthy surplus for a much longer period.

Among the cornerstones of SA's development, according to Grieveson Grant's report, are:

- The country's coal wealth which is now being turned to account by way of exports (30-million tons next year)
- Power generation (two new power stations are being contructed).
- Conversion to chemical feedstocks (at Coalplex, a joint venture between AE & CI and Sentrachem).
- The Sasol oil-from-coal plant which will meet 65% of the country's liquid fuels needs by 1985
- SA already exports some 9 500 tons of uranium, making it an overall net exporter of energy.

Of particular interest is the comment: "While most investors have gained some exposure to South Africa through the acquisition of gold or other mining shares, we feel that South African industrial shares should provide a logical extension of this process and offer attractive risk/reward ratios "

The firm stresses that SA industrials will be major beneficiaries from higher growth rates, increased mining expenditure and improved consumer spending.

It points out that earnings growth on the JSE has been 33% over the past six months "and we are expecting 40%-50% over the next six months. Average dividend growth is forecast at 22,5% for 1980".

Grieveson Grant pinpoints three shares — Nedbank, Barlows and SA Breweries — as being its "three most favoured top quality shares".

Nedbank is favoured for the following reasons:

- It has the greatest exposure to merchant banking in the banking sector.
- It has a smaller branch network than other banks and thus does not have to bear the cost of extensive low-turnover rural branches.
- It has recorded excellent profit growth in the last two years
- It has established itself as the most profitable banking group in SA
- It will be a major beneficiary from increased trade activity, new project developments and more corporate investments
- The prospective dividend yield is higher than that offered by other banks.

Barlows is favoured because:

- Major long-term growth can be expected from the group's coal, chrome, gas and ferro-alloys divisions.
- The upturn in the SA economy will help the group's extensive industrial interests.
- Barlows is now reaping the full benefit of capital expenditures made in the Seventies
- Its financial strength, its excellent historical record and diversified interests make the shares a particularly sound long term investment
- The quality of earnings is well above other SA investments and is favourable in comparison with similar companies elsewhere

The firm recommends SA Breweries for the following reasons:

- It has enjoyed two years of unprecedented growth — a performance which can be maintained over the next two years, especially as the beer war is over.
- It now has an effective monopoly of the wholesale beer market
- Potential earnings growth is "enormous" depending on the approach developed by the Government on black township drinking
- With Southern Sun and OK Bazaars doing well, earnings growth could be up by as much as 45% and dividend growth of 25% seems easily obtainable
- Prospects for expanding beer sales to an ever increasingly well-off black beer consumer is a reason sufficiently significant for the shares to rate a strong buy.
- The group has the highest exposure to rising black incomes of any share in the industrial sector of the SA stock market

Life policy holders facing crisis

J-Times 23/3/80

(58)

Railway workers — innocent victims?

By JOHN SPIRA

SEVERAL hundred thousand South Africans face severe hardship — and even financial disaster — as a result of what has been described as "a glaring inequity" in the life assurance industry.

The dependents of those who contribute to so-called voluntary group life assurance schemes could be facing poverty because the insurers of such schemes are entitled to arbitrarily reduce the sums assured for contributors on their death.

Teachers, police and air force employees who have contributed for many years to voluntary group life assurance plans were recently told that because of the poor profitability of their respective schemes, their life cover was being reduced.

Now salaried railway workers are being given the same treatment. In one instance, a railway employee who has been contributing to a group scheme since 1959 has been told that his R5 000 cover is being reduced to R1 250 over a period of 10 years.

Legislation provides that in the case of individual life assurance the insurer may not increase the premium or reduce the sum assured during the currency of the policy.

For group life assurance, however, the insurer normally reserves the right to revise the premium rates and/or reduce the sum assured if the mortality experience deteriorates.

A spokesman for Sanlam, which has underwritten several voluntary group life plans, tells Business Times that at inception and during the currency of these schemes each and every member is informed that the conditions and benefits under the scheme are subject to change.

He concedes that the possibility of the sum assured being reduced is not specifically spelled out.

But he adds that each member has a duty to himself to become fully acquainted with all the details of the scheme which he is joining.

Sources elsewhere in the insurance industry acknowledge that contributors to voluntary group plans should read all the fine print (as should anyone signing any type of document).

But, generally speaking, they don't.

Such sources believe that in cases like these, involving the vital issue of bread and butter for old age, legislation is urgently needed. The law should require that, as a bare minimum, the insurers and/or the trustees strongly stress to potential members the possibility that their sums assured may be reduced.

They point out that because these plans are voluntary and because many younger potential members choose not to become part of the schemes, they tend to become unprofitable and as a result the benefits are reduced.

For this reason, most life companies refuse to touch voluntary group plans. Compulsory schemes are something else, because here the insurer can be fairly certain of a steady influx of young members to help maintain the benefits accruing to the older members.

In spite of the obvious and pitiful consequences inherent in voluntary life plans, the Sanlam spokesman contends that they do provide a service to the insured by offering him basic cover at modest rates.

"But, of course," he repeats, "the insured must be aware of all the terms attaching to the scheme — an awareness which will convince him that it would be prudent to obtain additional life cover outside the scheme."

He was unwilling to comment on the need for legislation to protect members of voluntary group plans.

But what is to become of those for whom it is too late to effect additional cover after discovering that their widows will be receiving a fraction of what was initially indicated?

That their dependents will become burdensome to the state highlights the pressing need for action in order to avoid the sad plight which will befall so many people whose husbands happened to rely on the proceeds of a voluntary group life assurance scheme.

Southern Life turns in record pension yield

STimes 23/3/80

(30) (53)

By STEPHEN ORPEN

A RECORD gross yield of 12,1% on pension investments in the guaranteed fund system has been declared by The Southern Life Association for the year to end December 1979.

Eric Speyers, assistant general manager in charge of pensions, says this is the highest yield of its type available in South Africa today.

The guaranteed fund is particularly popular with smaller pension funds because of the full guarantee on capital

Inflation

High inflation is now such a serious problem for pension funds, says Mr Speyers, that Government should ensure that the 53% prescribed investment requirement on these funds is relaxed immediately — in the Budget.

"While this requirement is laudable in protecting assets from investment risk, its value must be seriously questioned if it hinders a fund's ability to produce a return higher than the inflation rate", he says.

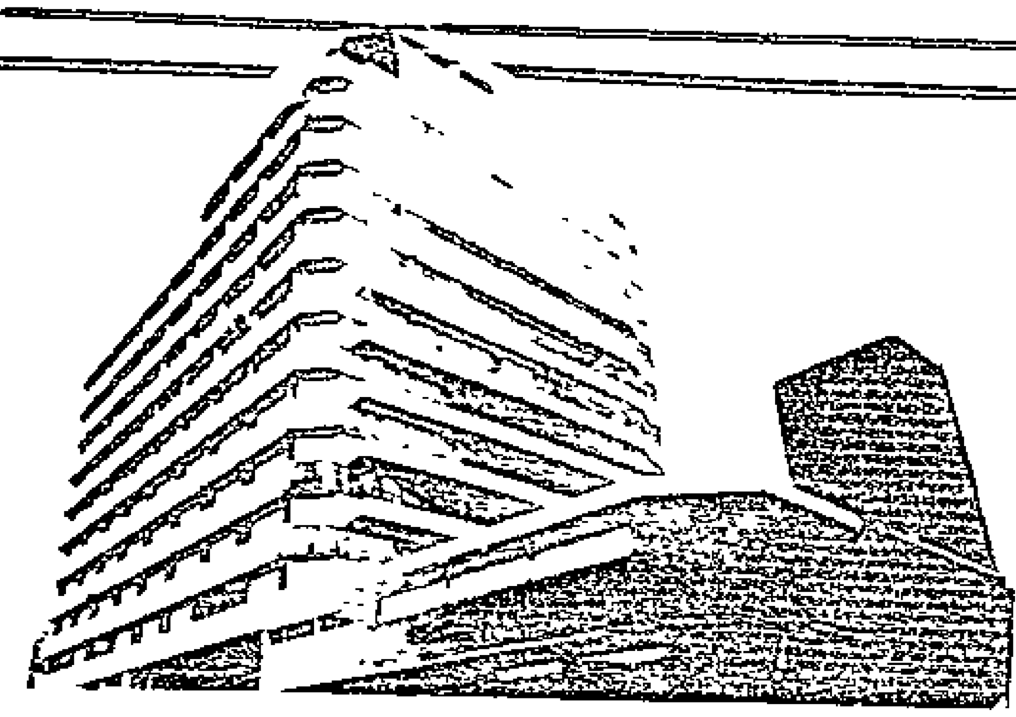
With prescribed investments currently yielding less than 10% a year and inflation running well in excess of 10%, real rates of return will be difficult to maintain.

"Yet this is of paramount importance as pension liabilities are usually geared to salaries which in turn are largely influenced by inflation," explains Mr Speyers.

Since the costly exercise of granting increases to pensioners after retirement is also inhibited if investment performance is restricted, Mr Speyers thinks Government has a pressing obligation to relieve the problem.

(58)

SUNDAY TIMES, Business Times, March 23, 1980



Convertibles tailor-made for all your investment needs

D Times 23/3/80

(58)

CONVERTIBLES are perhaps the most neglected of all the securities listed on the JSE — an observation which I find surprising since convertibles often offer better value than the ordinary shares into which they may be converted at some time in the future.

In addition, for every listed convertible, different conversion options exist, thereby offering the investor a wide variety of alternatives, some of which might well be tailor-made to satisfy his particular investment needs.

One of the reasons why convertibles are relatively unpopular is that most have limited marketability.

They do, however, trade and a modicum of patience will normally ensure that the desired scrip is forthcoming.

Another reason for the lack of public interest in convertibles is the complex conversion terms which sometimes they carry.

This too, should present little in the way of difficulties to the investor who is prepared to set aside a few minutes to peruse the terms carefully.

It is an exercise which could prove to be well worthwhile.

This is because, in view of the market's neglect of convertibles, they often drift out of line with their correct value. Such anomalies offer heaven-sent buying opportunities to the alert investor.

Convertibles are debentures or preference shares which give the holder the right to convert in whole or in part their debenture or pref into ordinary shares at a usually predetermined price.

The price of the convertible is determined by a combination of the following factors:

- The interest or dividend paid by the security.
- The price at which conversion may take place and its relationship to the price of the ordinary share into which it may be converted.
- The remoteness or otherwise of the conversion date.
- The fact as to whether the convertible is a debenture or a preference share. Interest on the former is taxed in the hands of the individual as income while income from the latter is treated as dividends for tax purposes.

Usually however, the security of the former is greater than that of the latter.

- The market's expectations over the general interest rate pattern. If a rise in rates is anticipated the price will fall — and vice versa.
- The soundness or otherwise of the issuing company.
- The extent to which the interest or dividend payment is covered by earnings.

Some 25 convertibles are listed on the JSE. Here are some (I shall comment on others in the near future) of such securities, together with their conversion terms.

BANKORP 11,5% PREFS may be partially or fully converted into ords on December 31, 1982 or December 31 1983 on the basis of two ords for every three prefs held. Unconverted prefs will automatically be converted (on the same basis) into ords on December 31 1984.

With Bankorp ords currently trading at 250c (to yield 6,6%) and the prefs standing at 165c (to yield 7%) there is little to choose between the two — both in terms of the conversion ratio and their relative returns.

BANKORP 9,6% PREFS on the other hand are attractive relative to the ords. These are automatically converted into ords on December 31 1984 on the basis of one ord for two prefs. The current price of the prefs is 120c and the yield 8%.

This means that a purchase of the prefs would provide a 10c conversion ratio advantage as well as an income benefit — 8% against 6,6%.

BEARES 12,5% DEBENTURES are convertible into ords at 70c a share at the debenture holder's option on October 1, 1980 and October 1, 1981. Unconverted stock will be automatically converted on October 1, 1982.

The ords are 280c to yield 5,4% while the quote for the debs is 240c to yield 5,6%. On income considerations, therefore, there is little to choose between the two.

But in terms of price the debs are expensive. They are effectively priced at 310c (240c plus 70c), equivalent to a premium of 30c.

It is a premium which the deb holders are obviously prepared to pay for the ords of a company which they expect to appreciate by more than 30c between now and the various conversion dates.

DORBYL 12% DEBENTURES are convertible into ords at 650c a share between now and September 1985. Those not converted are redeemable in five equal annual instalments from September 1986.

At 155c the debs yield 7,7%, while at 680c the ords yield 4,6%. Yet in spite of the income advantage attaching to the debs, they are trading at a premium of 125c on the conversion terms.

The premium is probably underpinned partly by the expectation that the ords will go a good deal better between now and 1985 and partly by the fact that conversion is not automatic — in other words, if the terms do not make conversion worthwhile the capital is redeemed in cash with a 7,7% return being received during the currency of the issue.

DUBIN 14% PREFS are convertible into ords at the option of the holder on July 1, 1980 or July 1, 1982 or are redeemable in annual instalments of 20c each from the beginning of June 1983.

The prefs are quoted at 140c to yield 10% and the ords are trading at 95c to yield 8,9%. On a straight conversion, therefore the prefs are far from attractive.

It is in cases such as these that a convertible's price is determined almost entirely on yield considerations, with the conversion option playing a minor role in the establishment of the price.

EDGARS 13,6% DEBENTURES contain a more unusual conversion option than is customarily the case. Each debenture of R10 is convertible in January 1983 into one participating preference share.

The holder of the latter is entitled to a dividend of 75c a year plus one-fifth of the ordi-

(58)

Waiting game in the capital market

RDM 24/3/80.

By HAROLD FRIDJHON

CONDITIONS on the capital market last week were again relatively quiet with end buyers withdrawn to the sidelines and tending to take a wait-and-see attitude ahead of the Budget.

Institutions are waiting to see whether Senator Horwood will make any changes in the amount of prescribed investments which have to be held. The belief in the market is that he will bring in some marginal easing of these requirements which will give, insurers in particular, a little more flexibility in their investment programmes.

But if he maintains the regulations as they are now framed, it is believed that some institutions might have to come into the market to top up their holdings. Some sources believe that no basic change will be made in the regulations until the final report of the De Kock Commission has been framed.

Rates in the secondary market were wide last week and on Friday it was difficult to get a sharp rate on leading stocks.

Escoms, which were given a board price of 9,35% earlier, were reported to be trading between 9,40% and 9,45% and it was said that there was an overhang of Escoms bothering the market.

RSAs were quoted at 9,17% for par stocks and premium stocks, like the 11% long, were quoted at 9,26%.

Underwriting has been started for the Johannesburg R25-million issue which is being handled by Senbank as lead bank with Volkskas Merchant and UAL. It is believed that the loan will be issued as a 22-year long with an all-in rate pitched somewhere in the 9,42% area, and a nine-year short at about 8,64%.

Looking at current Escom prices, the long rate — if it is correct — looks on the fine side, but the short-term loan should prove popular, particularly when it is compared with an eight-year Escom at 8,20%.

My view is that the money should flood into the shorter loan which has everything going for it — the term and the rate. It does appear to give investors the best of both worlds.

The market is also gearing itself for the first Treasury issue of the year. With the 8,75% three-year RSA of R337-million maturing on April 15, the Treasury has issued advices that it will be coming to the market with a three-year loan and a long-dated stock in the first week of next month.

Market sources believe that the three-year may be pitched at around 5%, although one opinion is that 4,75% may be nearer the mark. This stock will be needed for liquid asset requirements.

The long-dated stock is likely to range between 9% and 9,125%. The rate will depend on how badly Senator Horwood requires long-dated funds to finance his 1980-81 deficit and how successful the authorities are in mopping up excess liquidity.

That there is still a plethora of money around is reflected in Friday's Treasury bill tender which attracted R137-million for the R50-million bills on offer. This weight of money brought the tender rate down a further two points to 4,14%. The NFC call rate was also two points down to 3,89%.

Money-market institutions were not in a position to overbid for bills as most institutions are said to be still in the bank, but the amount outstanding is believed to be a modest R200-million. Bidders were probably commercial banks who will be flush with money in the next few months and are looking for investments.

The end of March position will not be as tight as some had feared because it is said that cash is flowing out of the Treasury as State departments square their books for the end of the fiscal year.

April and May will be easy months, and it is believed that the Reserve Bank is taking steps to drain off the liquidity which will be created if the gold price remains at current levels.

The central bank is said to be ready to issue special tap bills again to help with end-of-August tax payments.

Another device to mop up spare cash will be Reserve Bank debentures. If these qualify as liquid assets, they will be popular. Both instruments, the tap bills and the debentures, reveal a pleasing flexibility in Reserve Bank practice.

UCT

RDM 25/3/80.

58

Banks' assets hit high of R21 920m

By HAROLD FRIDJHON

THE TOTAL assets of the banking sector rose by R1 223-million to a new high of R21 920-million during the quarter ended December 1979 and the figures reveal that bankers' advances made an important contribution to the more liquid conditions that prevailed during the Christmas season.

Hire purchase discounts and advances during the fourth quarter increased by R227-million to R1 857-million with the lion's share of the business being transacted by the general banks whose contribution to the total was no less than R1 643-million.

Other loans made by the banks went up by R200-million of which current unsecured advances accounted for a rise of R146-million.

It would have been thought with the booming December share market that the banks' advances on stocks and shares would have risen to inordinately high figures. But this is not the case.

During the quarter banks' advances secured by stocks and shares increased, relative to the market explosion, only marginally; they went up from R166-million to R199-million which in absolute terms is a 20% rise.

While mortgage advances on farming property increased from R486-million to R505-million, mortgages on town properties dropped by R54-million to R618-million.

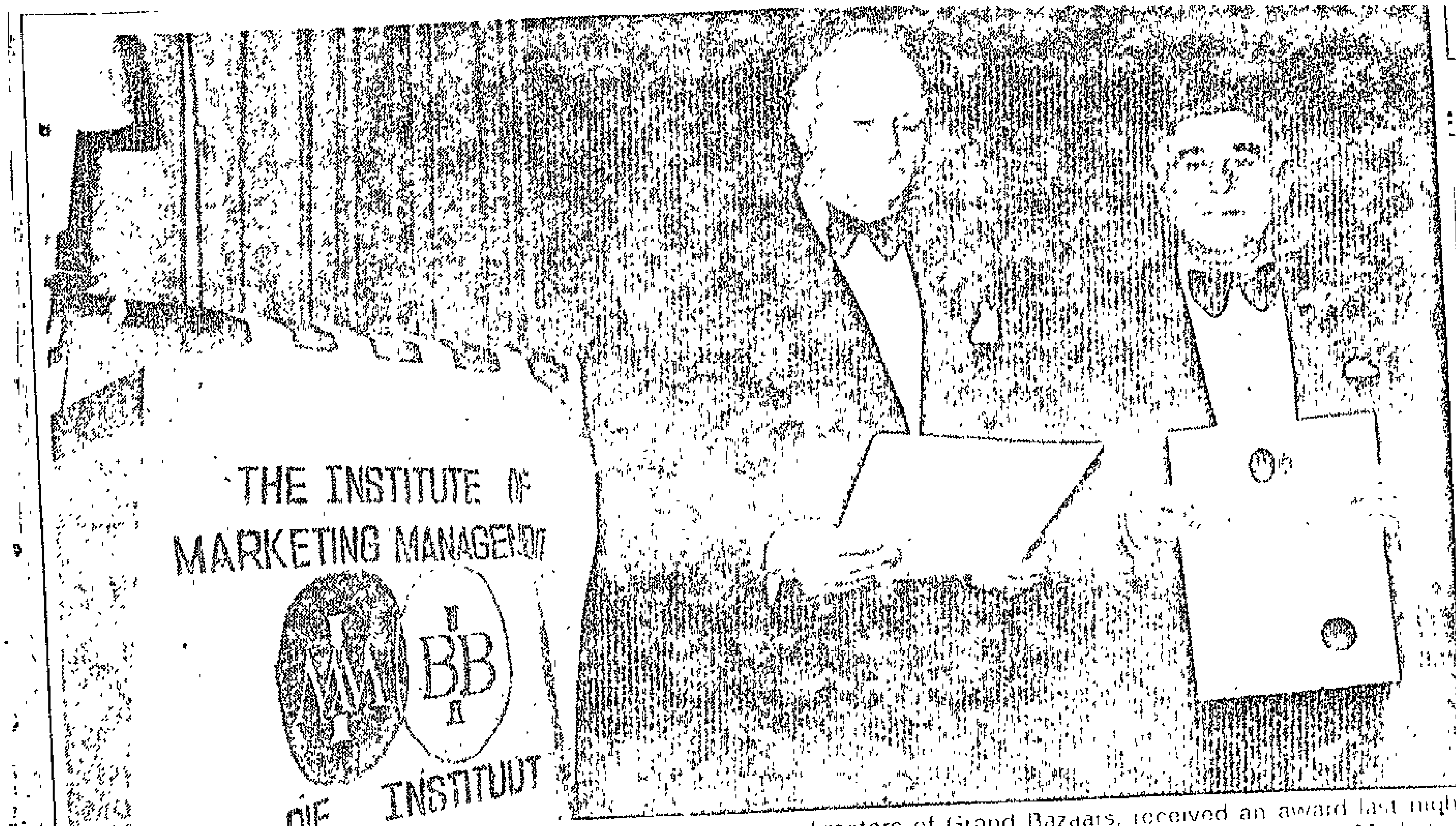
This could be read as indicating that with the flood of liquidity around borrowers were able to raise cheaper money from private sources than could be obtained from the banking sector.

The popularity of leasing is reflected in the increase in this important business facility. The amount of money involved in the financing of leases rose from R1 447-million to R1 555-million, with the general banks accounting for no less than R1 144-million.

The public's deposits with the banks increased by R876-million to a total of R16 207-million.

There was a tendency for deposits to shift from long-term to medium-term and particularly to short-term. The balances in cheque accounts jumped by R1 611-million to R4 482-million.

It is very possible that this big leap in current accounts resulted from Christmas shopping and the huge amounts of cash which the public was spending in cash in the shops, as well as from private cheque accounts being swollen by bonus and other end-of-the-year additional receipts.



Mr Manual Sachar, left, and Mr Max Sachar, joint managing directors of Grand Bazaars, received an award last night for outstanding marketing achievements for 1979 from the Western Cape branch of the Institute of Marketing Management. The function was held in a City hotel

58 C.T. 26/3/80

Banker: R1 000 m tax cuts expected

Staff Reporter

THE regional general manager of Barclays National Bank, Mr Norman Axten, said last night that it was estimated that Senator Owen Horwood could announce tax cuts of up to R1 000 million in his Budget speech today.

Mr Axten, guest speaker at the presentation of the Institute of Marketing Management's award for outstanding marketing achievement in 1979, said at the function at a City hotel that there was no justification for the loan levy in South Africa's present circumstances, although it would possibly remain.

Pensions would probably be increased, he predicted. Appropriation for coloured and black education was almost certain to be 'dramatically increased'.

The bad news, he said, was that the minister would probably introduce taxation on fringe benefits which would affect cars, housing loans, cheap loans and entertainment allowances. Senator Horwood would hopefully resist the temptation to bring in the threatened legislation on fringe benefits.

Company tax would probably not be touched but there was a possibility that loan levy on companies could be abolished.

There was a large lobby which recommended that the rand be revalued as an anti-inflationary step. The effect of this would be to decrease both the price of imports and the competitive ability of South Africa's exporters.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

12010 LOWER DIPLOMA IN LIBRARIANSHIP 12010

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REGISTRAR (ACADEMIC)

UCT

Reserve Bank gives — and takes away

58

(CDN) 26/3/80.

By HAROLD FRIDJHON

ON THE EVE of the Budget, the Governor of the Reserve Bank, Dr T W de Jongh, announced technical changes in the control of the banking system which will enable money supply to be better managed ahead of probable stimulus provided by Senator Horwood and a continuing balance of payments surplus. Control of the money supply could dampen inflationary pressures.

The good news from Dr De Jongh is that the banks' credit ceilings will be raised from the end of this month by 6% of the basic figures as at December 31 1975. The increase is additional to the existing increase of 0,5% a month of the basic figures.

He has abolished the supplementary liquid assets requirements on the big banks which have been in operation since 1975, and he has made changes in the cash reserves which all the banks must maintain. At present they must deposit 8% of their short-term liabilities to the public interest-free with the Reserve Bank and 7% of these liabilities with the National Finance Corporation. In future the full 15% must be deposited interest-free with the central bank.

In addition, 5% of their medium-term liabilities must be deposited with the NFC. The small banks will have to deposit 7% of their medium-term liabilities, but the central bank is giving them time to build up to this requirement.

While these new regulations might have the cumulative effect of withdrawing about R50-million from the present cash resources, some compensation has been given to the banking system by raising from 35% to 37,5% of their total assets the amount which they may invest in bank acceptances and commercial bills.

One banking authority estimated that this could bring back into the system R25-million.

One of the most important innovations announced by Dr De Jongh is the creation of special Reserve Bank debentures which are intended exclusively for open market operations. These debentures will be issued at varying maturities and at market rates. They will be transferable and negotiable and application will be made to the Johannesburg Stock Exchange for the listing of the debentures. Those with maturities of less than three years will qualify as liquid assets.

Another forward step is the abolition of control on the interest which banks and building societies pay on deposits.

Dr De Jongh said: "These maximum limits are now appreciably higher in general than the rates which are paid . . ."

Dr De Jongh said he was taking these steps which were aimed at placing emphasis on cash reserve requirements and on supporting open market operations as instruments of credit control in future. The objective was ultimately to abolish the ceiling method of control which placed quantitative limits on banks' ability to give credit to the private sector.

He was highly critical of the "unacceptably high" 30% annual rate of increase in the money supply during the last quarter of 1979.

"In the light of these developments and the high rate of inflation, it will be necessaary to ensure that the quantity of money and near-money does not continue to increase excessively."

But in keeping with the general economic policy of encouraging a higher growth rate, the banks' credit extension to the private sector should not be restricted too much at present.

Dr De Jongh said it was of particular importance how the Government financed its expenditure in the coming year. The Reserve Bank would have to absorb a part of surplus liquidity by means of open-market operations.

One of the biggest surprises in his statement was that he made no mention of nor move towards cutting bank rate. At present the 7% bank rate is way out of line with all the rates on the money market.

Businesses are sidestepping overdrafts because the rates — which are determined by bank rate — are too high and much of the financing of the movement of goods is being done by means of bankers' acceptances, other bills of exchange and promissory notes. As far as bankers are concerned this is off-balance sheet financing.

Generally, bankers welcome the steps taken by Dr De Jongh. They see these as moves towards the system which they expect will follow the next De Kock recommendations. Some of the questions posed by the De Kock Commission appear to be pointing in this direction.

The raising of the bank ceilings is regarded by bankers as a temporary relief, but they warn that if the economy really starts to take off the ceiling may have to be jacked up higher still if the expected boom is not to be stillborn.

The technical changes made by Dr De Jongh might give some of the banks some short-term problems as they seek suitable assets in which to invest.

The new investment medium — the Reserve Bank debentures — has aroused considerable interest. Bankers say that if the central bank pitches the rate at attractive levels they will draw a considerable amount of support.

No doubt the Reserve Bank will adjust the rates of the debentures from time to time to draw off or inject cash into the economy as the need requires.

It is doubtful whether these debentures will become popular stock exchange scrip.

Gold boosts the 1979 surplus

(77) (58) RDM 27/3/80

THE ASSEMBLY. — South Africa's balance of payments strengthened remarkably with a surplus record of R3 107-million on 1979's current account, Senator Horwood said yesterday

He said that during 1979

- The gross domestic product had increased by 3,75%,
- Real gross fixed investment, which had declined for the three preceding years, had increased by about 2%,
- The number of registered unemployed whites, coloureds and Asians had declined to 1,5% of the relevant labour force in December which was exceptionally low,
- Black unemployment had declined although there was room for improvement,
- Inflation remained a serious problem with the Consumer Price Index increasing by about 14% between February 1979 and February 1980,
- The value of gold output had increased by 55% to R6 000-million,
- The value of merchandise exports increased by 19% to R8 856-million,
- The value of imports increased by 21% to R9 669-million although the volume had declined somewhat;
- Long term capital showed a net outflow of R755-million, mainly substantial repayments of foreign loans;
- Short term capital showed a net outflow of R1 886-million, excluding a decline of R441-million in "reserve related liabilities;
- Net gold and other foreign reserves increased by R466-million,
- The broad money supply had increased by 13%, which was once more below the rate of inflation and not excessive

"In general it would appear that, although the present upswing has in recent months shown clear signs of acceleration, it has not yet gathered adequate momentum.

"The rate of real economic growth, although rising, is still below that of which the South African Economy is capable under present circumstances "

There had been exceptional expansion in activity in the financial sphere of the economy, but real economic activity had not yet increased to its full potential.

The surplus on current account was equivalent to 6,5% of the Gross Domestic Product A reason for this was the remarkable performance of gold which had earned R6 000-million in 1979, a 55% increase in the value of net gold output. This reflected the 1979 increase in the average London gold price fixings from R193oz to R307oz

Although the broad money supply had shown an actual decline during the first half of 1979, it had increased at an annual rate of 30% during the latter half of the year

"This was clearly excessive and in conflict with our overall financial policy."

"But this excessive increase was largely a temporary aberration and not an indication of a longer term trend "

It partly reflected redemption of Government loans and the early repayments of loan levies which resulted in a sharp decline in Government sector deposits with the banking sector.

"The more important point is that the excessive rate in money supply during the second part of the year has not brought about any undue increase in either investment or consumption "

This was not difficult to understand Most of the excess liquidity had not found its way into the pockets of salary and wage earners in general and had thus far remained concentrated in the hands of the mining houses and other large exporters

It had remained in what was called a "liquidity trap" and had not yet been spent on either domestically produced or imported goods and services.

The increase in the money supply required further attention

The downward adjustments of the bank rate following the further easing of the money market had left an abnormally wide gap of more than 5% between the prime overdraft rate and the Treasury Bill rate and related money market rates. This had brought an upsurge in borrowing and lending outside the banking system which, if left unchecked, could not only make monetary statistics less meaningful, but also banking practices unsound.

"We therefore find ourselves with a liquidity 'overhang' and an interest rate dilemma " On the one hand local interest rates were abnormally low compared to those in the United States and Britain, resulting in the large net outflow of short term capital

"At the same time within our own interest rate structure, the rates on money market paper are abnormally low in relation to bank and prime overdraft rates, resulting in substantial 'non-bank intermediation', borrowing and lending outside the banking system

"The main reasons for this abnormal state of affairs can be found in the unusual combination in South Africa at present of a large current account surplus, exchange control on capital movements and a still sluggish demand for loanable funds in general," Sen Horwood said -- Sapa

Hansard 8 (1737-28 → 58

SOUTH AFRICAN MUTUAL LIFE ASSURANCE SOCIETY (PRIVATE) AMENDMENT BILL

(Second Reading)

*Mr. W. C. MALAN (Paarl): Mr. Speaker, I move—

> That the Bill be now read a Second Time.

Today insurance companies play a major and extremely important part in the mobilization and utilization of the savings of the public. In this way they provide the capital in our free enterprise system. The Old Mutual, established in 1845, is definitely the oldest of these institutions in our country and one of the giants in the industry. It plays an extremely important part in our economy. Consequently it deserves the attention of this House.

When the Old Mutual was established in 1845, it was not difficult to decide who its members should be. In those days life insurance matters were uncomplicated, and policies other than basic life-long insurance were not conceived of. Consequently the memorandum of agreement merely stated that only those persons who took out life-long insurance on their own lives for amounts of not less than £100 were members. At general meetings members had either one vote or two votes depending on whether their total insurance amounted to less than £500, or more than £500.

Membership of the Society bestows certain rights on the member. Only members may attend a general meeting and vote at that meeting, nominate candidates for election as directors, participate in an election of directors, whenever necessary, and participate in an election of the auditors, and even bring about the removal of one or more directors from their office. Members also have the right to insist that general meetings be convened to discuss specific matters. Consequently they are able to exercise great influence on the way in which the Society is managed.

The last time a material change was effected in the provisions pertaining to membership of the Society and the voting rights of members was in 1888 when the Society was incorporated by an Act of Parliament. Since that time the business of the Society has changed a great deal, particularly during the ... decades, and the board of directors ... the conclusion that the time was ripe ... the provisions in regard to ...ship and voting rights, which are at ... contained in Act 52 of 1966, as ...ded, on the basis of certain principles ... by them. The proposed amend... as embodied in the Bill, do not ... a policy holder who is at present a ... of his membership and do not reduce ... present number of votes which a member ... in the event of a poll. The changes will ... primarily in membership being ex... to adapt to new circumstances and in a ... of votes being introduced which will be ...propriate to the proportion of the various ...rests of members in the Society.

As further background information it is ...able to describe the various voting pro...dures applicable in terms of the Incorporat...g Statute of the Society.

The ordinary procedure for the adopting of resolutions at a general meeting is that it takes place by means of a simple majority of members who are personally present there, by a show of hands, each member having one vote. At a general meeting a poll may be called for by a quarter or more of the members personally present at the meeting. In such a case the poll takes place on the basis of the fluctuating number of votes which each member has for a poll, not only among members who are personally present at the meeting, but also among the members who are present by way of a proxy.

A special voting procedure is adopted for a resolution to amend the Incorporating Statute in terms of section 73. In such a case there is one vote per member present in person or by proxy, and a majority of not less than three quarters is required to pass such a resolution.

The scale of votes, where all members are entitled to vote, applies only in the case of an election of directors, when there are more nominations than vacancies, or in the case of a poll demanded on a decision of the members to remove a director from his office.

Proposed amendments to Incorporating Statute:

1. *Amendment of section 2 of the principal Act.*

This amendment is merely an informal one. When the consolidating Act of the Society was passed in 1966, the name of the Society in the Afrikaans text was incorrectly stated. This error is now being rectified.

2. *Amendment of section 6 of the principal Act.*

These amendments all relate to the definition of membership of the Society.

According to the present position the basic requirements for membership is that the person concerned shall himself have effected an assurance contract with the Society or have obtained an assurance contract from another person by way of cession or by operation of law, and shall have procured himself to be registered as a member with the Society.

When this requirement was introduced, all assurances were effected by way of direct contract between the applicants and the Society. Today there are frequently circumstances in which an additional party is involved in the assurance arrangement.

As a first example group schemes are mentioned, for example a group pension fund, group life assurance scheme or group disability scheme. The basic contract here exists between the Society and the person or body referred to as a contractor. The contractor is for example an employer, board of trustees or committee established by an employees' organization. The members of the scheme derive their benefits via this fundamental contract. In accordance with the present membership provisions of the Society the contractor is a member of the Society, while the participants in the group scheme are not. No change is being proposed in this connection. However, there is another kind of group scheme which has recently being introduced and which differs from the conventional kind in that, while those who qualify to participate in it, do so in accordance with the fundamental contract between the contractor and the Society, they are also required to make a separate application to the Society. The board of directors was of the opinion that such applications did not place them in a position different to that of the participants in any other kind of scheme. Consequently they ought not to be members of the Society either, while the contracting body, which arranged the scheme with the Society, must in fact be a member. The proposed amendments under the contem-

For full text of debate see Hansard

A policy mix to sort out cash supply

(58)

RDM 27/3/80

THE ASSEMBLY. — Senator Horwood said yesterday one of the main monetary and banking problems requiring attention at present were the fluctuations in the broad money supply.

Dealing with monetary policy, he said other problems were the liquidity "overhang", the distorted interest rate structure and the resultant abnormal increase in borrowing and lending outside the banking system.

He envisaged a combination of several policies:

The promotion of more rapid real economic growth. "If successful, this should in due course result in an increase in the demand for loanable funds and a decline in the current account surplus, which should combine to absorb some of the excess liquidity and to bring about a better alignment of relative interest rates.

"The best way to absord 'idle money' is to put it to productive use on a sound basis."

The government would aim at attaining an adequate but not excessive rate of increase in the broadly defined money supply.

"What would be 'adequate but not excessive' in present circumstances is difficult to say in advance, particularly in view of the uncertainty surrounding the gold price and overseas economic developments in general.

"But for the year as a whole, a rate of increase somewhat below that of the rate of inflation would not seem unreasonable. This would accommodate the expected increase in the growth rate while at the same time exerting a restraining influence on inflation.

"To this end, I propose to finance the 'deficit before borrowing' in the 1980/81 Budget in a manner which will not result in the creation of any money at all.

"In other words, I propose to avoid any net recourse to the banking system."

If the net gold and other foreign reserves were to continue rising substantially, the Government would go further and actually reduce the net claims of the banking sector on the Government sector in order to counteract the expansionary monetary effects of the balance of payments surplus.

"This would then leave adequate scope for the necessary expansion of bank credit to the private sector.

"Of course, to the extent that the rise in net foreign reserves was slowed down through a policy of permitting the Commercial Rand to appreciate, there would be less need for the authorities to exert a negative effect on the money supply through their own financing operations."

Another component of a broad monetary policy would be the further relaxation of exchange control in order to prevent the large current account surplus from "bottling up" excess liquidity in the domestic money market.

"The speed with which we shall move in this direction will depend on the extent of our overall balance of payments surplus," Sen Horwood said. — Sapa.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

17000 BACHELOR OF ARTS (HONOURS) YEAR : N/A 17000

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL		
~~101795X~~	~~FRAZER~~	~~SHEILA JOSEPHINE HOWARD~~	~~195703~~	~~LATIN HONOURS~~	~~2+~~	~~(70)~~ ~~4~~	~~101795X~~
1207760	[illegible]URIN	VIVIENNE	109701	HEBREW HONOURS	3	4	1207760

* TOTAL NUMBER OF STUDENTS 2

BRADFORD, H J ECONOMIC HIST. HONS 1 80%

DEAN REGISTRAR (ACADEMIC)

Now there is a useful money surplus in sight

58 RDM 27/3/80

THE ASSEMBLY. — There had been no need to draw on the Government's stabilisation account in order to finance the "deficit before borrowing," Senator Horwood said yesterday.

He said that, in fact, the current financial year would end with a very useful surplus.

Tax revenues had remained so buoyant that the "deficit before borrowing" for the 1979/80 fiscal year was now estimated at only R1 683-million, instead of R2 803-million as provided for in the Budget.

It had to be concluded, therefore, that fiscal policy as a whole had been more conservative and less expansionary than planned in last year's Budget.

"As far as the monetary effects of the Government's fiscal operations are concerned, this outcome is to be welcomed, as other factors have provided for an adequate, and at times even excessive increase in the broad supply of money.

"However, the reduced deficit before borrowing means that the income generated directly and indirectly by fiscal operations has been smaller than planned.

"At the same time, the Budget did serve to redistribute income in a way which encouraged consumption and investment."

Reviewing recent financial policy, the Minister said that the country's short-term economic policy had passed through three phases.

During phase one the Government applied restrictive fiscal and monetary policies in order to improve the balance of payments and to reduce inflationary pressures emanating from excessive spending.

"The success of these policies, together with other favourable developments, enabled us in phase two to adopt a policy of growth with financial discipline."

In last year's budget he announced the beginning of phase three of the Government's broad economic strategy, in which more emphasis was to be placed on economic growth, but still with the retention of financial discipline.

"I described this new policy as one of growth from strength."

The fiscal component of this new strategy was aimed at promoting more rapid economic growth in the private sector.

"To this end I kept a tight rein on Government spending, reduced and adjusted tax and loan levy rates, and budgeted for an increase of 46,5% in the deficit before borrowing to a total of R2 803-million.

"This increase was designed to have an expansionary impact on private consumption and investment and therefore on the rate of economic growth.

"Moreover, as part of the financing of this deficit, provision was made for a drawing on the stabilisation account of R217-million, with a view to ensuring an adequate increase in the broad money supply as part of the growth policy."

During the ensuing months, however, various unexpected developments, including substantial increases in gold and oil prices, brought about significant changes in both the domestic economic situation and the Budget overturn.

"In response to these changes, I announced a package of expansionary policy adjustments on September 18, including new additions to food and transport subsidies and pensions.

"Although this package succeeded to a large extent in bringing fiscal policy back on course, tax revenues remained so buoyant that the deficit before borrowing for the 1979/80 fiscal year is now estimated at only R1 683-million instead of R2 803-million as provided for in the Budget.

"In addition there has been no need to draw on the stabilisation account to assist in financing this deficit.

"In fact, I expect the current financial year to end with a very useful surplus on Monday next.

"It must be concluded, therefore, that fiscal policy as a whole has been more conservative and less expansionary than planned in last year's budget."

The Minister said the reduced deficit before borrowing meant that the income generated directly by fiscal operations had been smaller than planned.

"At the same time, the Budget did serve to redistribute income in a way which encouraged consumption and investment.

"Another component of the growth from strength policy was the progress made in the implementation of the Government's new exchange rate policy of managed floating, as well as the introduction of the Financial Rand system and improvements in the forward exchange market.

"By affording the authorities more independence in domestic monetary and fiscal policies, these new exchange rate arrangements facilitated the movement from phase one to phase three.

"In accordance with the growth from strength strategy, there was also a relaxation of domestic monetary policy.

"Apart from the three reductions in the bank rate, relaxations were made in liquid asset requirements and in bank credit ceilings.

"As the year progressed, the Reserve Bank also made good use of open-market operations and the issuing of tap Treasury Bills in an attempt to cope with the marked fluctuations in liquidity," the Minister said. — Sapa.

Foreign credit rating is 'excellent'

(58)

RDM 27/3/80

THE ASSEMBLY. — South Africa's creditworthiness abroad was excellent and continued to improve, with much larger loan funds being available to the country, Senator Owen Horwood, said yesterday.

He said that, because of excess domestic liquidity, it was preferable rather to borrow in the internal market.

"It is necessary at this stage to budget for only a moderate R100-million from foreign sources."

The deficit before borrowing was estimated at R1 318 000 000. He had now proposed tax concessions totalling R365-million which would increase this deficit to R1 683 000 000. To this, R1 430 000 000 must be added in the form of loan redemptions, which raised the total financing requirement to R3 113 000 000.

He proposed that the amount be financed as follows:

Public debt commissioners (R1 650 000); reinvestment of loan redemptions (R850-million); new Government stock issues (R600-million); non-marketable debt (R400-million); foreign loans (R100-million) and surplus carried forward from 1979/80 (R3 696 000 .

It would leave him at this stage with a surplus of R583-million, Senator Horwood said. — Sapa.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

13110 PERFORMERS DIPLOMA IN SPEECH & DRAMA YEAR : 1 13110

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~1356560~~	~~BALTJES~~	~~EDUARD STEPHANUS~~	~~116120~~	~~DRAMA I~~	~~F~~		~~3~~	~~1356560~~
154249M	COMPION	MATTHYS CHRISTUFFEL	116120	DRAMA I	F		1	154249M
~~156760U~~	~~KRUSKAL~~	~~MEGAN~~	~~116120~~	~~DRAMA I~~	~~UP~~	~~(50)~~	~~1~~	~~156760U~~
162343K	MILITZ	NICOLA ANDREA	116120	DRAMA I	UP	(50)	1	162343K
~~154826P~~	~~SAMUELS~~	~~ANDRE CUPIDO~~	~~116120~~	~~DRAMA I~~	~~F~~		~~3~~	~~154826P~~

* TOTAL NUMBER OF STUDENTS 5

DEAN

REGISTRAR (ACADEMIC)

UCT

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 7

13010 BACHELOR OF ARTS YEAR : 1 13010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~152163V~~	~~VAN NICKERK~~	~~MURIEL DIANNE~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		1	~~152163V~~
159757Z	VAN WAGENINGEN	ANNEMARIE	107101	ENGLISH I (PRE-1980)	3	(58)	1	159757Z
~~155815P~~	~~VISSER~~	~~ANNELIZE~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~2~~	~~(62)~~	1	~~155815P~~
153767N	WACHER	GUY STEVEN	115102	FRENCH INTENSIVE	UP	(58)	1	153767N
~~160780L~~	~~WESSELS~~	~~CHARLENE~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		1	~~160780L~~
158400Z	WHITAKER	ANDREW	909105	GEOLOGY IA (HALF COURSE)	UP	(58)	1	158400Z
~~115228Y~~	~~WHITING~~	~~ROBERT GEORGE CURZON~~	~~107101~~	~~ENGLISH I (PRE-1980)~~	~~3NX~~		7	~~115228Y~~
157399L	WILLSHER	MELANIE GABRIELLE ROSANNE	115101	FRENCH I	UP	(52)	.1	157399L
~~154408K~~	~~WOLFE~~	~~ANGELA KILMARNEA~~	~~903101~~	~~SOCIOLOGY I~~	~~3~~	~~(56)~~	1	~~154408K~~
			004101	PSYCHOLOGY I	3	(59)		
			103202	SOCIAL ANTHROPOLOGY I(PRE 1	3	(59)		
			107101	ENGLISH I (PRE-1980)	3NX			
159697J	WOOD	NICHOLAS	107101	ENGLISH I (PRE-1980)	3	(58)	1	159697J
155858L	WYNGAARD	GAVIN WILLIAM ERIC	103202	SOCIAL ANTHROPOLOGY I(PRE 1	UP	(55)	1	155858L
			~~115101~~	~~CULTURAL HISTORY OF W.E. I~~	~~UP~~	~~(50)~~		

* TOTAL NUMBER OF STUDENTS 137

DEAN

REGISTRAR (ACADEMIC)

UCT

First steps to unfettering banks

58 RDM 27/3/80.

THE EASING of credit ceilings and liquid asset requirements for banks announced by the Governor of the Reserve Bank, Dr Theunis de Jongh, represent a major change in the implementation of monetary policy in the implementation of monetary policy in South Africa, says Dr C B Strauss, chairman of the Clearing Banks Association.

Dr Strauss said yesterday: "In essence, these are the first steps towards replacing the existing direct controls over banking, such as credit ceilings, which have been in force on and off since 1965, and deposit rate controls which have been in force since March 1972.

"Instead, more direct market-orientated methods of credit control are now being introduced. These measures, which will no doubt in due course be supplemented by others, are unreservedly welcomed by the banking industry.

"In the long term, if fully implemented, they will lead to more effective monetary control and stimulate healthy competition.

"In the short term, however, the interim raising of the ceilings is inadequate to accommodate the present strength of loan demand.

"The removal of deposit rate controls will not have an impact on the banks at this stage. To complement this step, attention will have to be given in due course to corresponding adjustments to the system of control of lending rates."

Tax-free share concession will be reduced

~~320~~ RDM 58 22/3/80.

THE ASSEMBLY. — The concession on tax-free subscription share interest was to be reduced over a period of three years, Senator Owen Horwood said yesterday.

"The interest on subscription shares of building societies is currently tax free on a maximum share investment of R150 000 per person

"This concession is out of line when compared with the far more modest amounts which may be invested tax-free in the Post Office, the Treasury and also in the form of tax-free indefinite period building society shares

"I have therefore decided, after consultation with the building society movement, to restrict the concession to a maximum tax-free subscription share investment of R50 000 per taxpayer.

"To minimise any inconvenience which this measure may cause, this restriction will be phased in in equal amounts over a period of three years."

Sen Horwood said he had directed the Standing Commission on Taxation to investigate the whole issue of initial and investment allowances, two of the country's principal incentive devices, which had been extended until June 30, 1982.

The allowances reduced the effective rate of taxation payable by companies and brought relief where depreciation and the write-off of assets was based on historical cases.

The view was held by some that the allowances increased in industrial capacity and should be paid in cash, especially in decentralised areas.

Others, however, expressed concern that the possible encouragement of capital intensive industries in this way was not conducive to the provision of adequate employment opportunities. — Sapa.

MONETARY POLICY

Coming to the fore

FM 28/3/80

Question: *What would you do about monetary policy?*

Professor Jan Lombard: *If I were the Governor of the Reserve Bank, I would try to see the Minister of Finance. For monetary policy has its roots in fiscal policy.*

There can be no faulting of Senator Horwood's diagnosis of the main monetary and banking ills affecting the economy. The only reservation the *FM* has is that neither he nor the Governor of the Reserve Bank, Dr Bob de Jongh, may be doing enough to cure them.

These ills arise partly from wide fluctuations from month to month in the money supply, which implies that the authorities control over it has not always been what it should be.

They also arise from the large amount of liquidity in the financial system, a distorted interest rate structure and an abnormal amount of borrowing and lending outside normal banking channels.

The Minister is correct in saying — and the Governor in assuming — that a faster pace of economic growth, which should result in an increased demand for loans, is really at the root of the cure.

There are two ways of achieving growth: either government could increase its spending or cut taxes. Repeated experience has shown that the first method holds no lasting benefit as it tends to encourage inflation.

Horwood professes to embrace the second — and sounder — method and his Budget to a large degree reflects this, yet it contains little in the way of reduced taxes for business — other than the abolition of the import surcharge and the loan levy.

Nor did he say very much about another obvious method of reducing excessive liquidity — an exchange rate policy that entails a significant rise in the value of the rand.

He did say the rand should be permitted to float upwards still further — and we hope Governor De Jongh took note. But Horwood also knows the rand is not floating and has never done so since government adopted a policy of a managed float more than a year ago.

The value of this country's currency is the direct responsibility of the Minister of Finance. The Reserve Bank acts as his agent in this matter. The rand's value is still being determined on the basis of a crawling peg against the dollar.

As Horwood himself pointed out, the higher the rand is allowed to rise, the less important will the marketing of long-term securities be to containing growth in the money supply.

The authorities' determination to keep the money supply under tight control has

WHO GETS MOST?

DEPARTMENT	Total estimated expenditure 1980-81 R000	Estimate 1979-80	% change
State President	477	432	+10
Parliament	7 099	6 453	+10
Prime Minister	4 799	3 562	+35
Defence	1 890 000	1 612 400	+17
Foreign Affairs and Information	265 721	217 244	+22
Co-operation and Development	785 023	709 903	+11
Education and Training	240 370	181 804	+32
Transport	234 362	171 907	+36
Manpower Utilisation	28 147	23 627	+19
Police	309 765	245 247	+26
Government Printing Works	1	4 800	-480
Interior	19 620	14 925	+31
Prisons	110 618	99 792	+11
Agriculture and Fisheries	379 250	322 230	+18
Commerce and Consumer Affairs	146 534	127 310	+15
Industries	299 747	365 330	22
Finance	4 507 385	4 116 604	+10
Community Development	403 295	371 872	+8
Coloured Relations	383 434	383 033	—
Indian Affairs	144 434	123 983	+16
Justice	58 131	53 672	+8
Commission for Administration	17 400	12 416	+40
Water Affairs, Forestry and Environmental Conservation	262 694	230 208	+14
Mineral and Energy Affairs	319 894	235 029	+36
National Education	407 187	356 678	+14
Public Works	390 495	324 512	+20
Statistics	21 487	9 226	+133
Tourism	8 434	7 745	+9
Health, Welfare and Pensions	738 372	670 140	+10
Commission for Administration	17 400	12 416	+40
TOTAL (excluding standing appropriations)	12 823 449	11 219045	+14

much to recommend it. One of the keys to this is Horwood's financing of the deficit before borrowing, which will be done by marketing long-term securities to non-banks.

In recent years, the Treasury has proved adept in this particular marketing exercise. But these securities were sold into a declining interest rate trend, which assured the purchaser of a capital gain. The degree to which it is successful this fiscal year could well be determined by interest rate expectations that are not quite as bullish as last time.

Nevertheless, as government's borrowing requirements are only 9,4% higher than last year's, the capital market should easily meet its needs, which, with the maintenance of high prescribed asset requirements, should still ensure a decline in interest rates in the immediate future.

Another important measure is the change in the nature of the Reserve Bank's control of bank lending, an important component of the money supply.

By concentrating more on bank's cash ratios — and less on liquid asset ratios — backed by open market operations, through the issue of Reserve Bank debentures, the authorities should have a firmer grip on monetary expansion.

What is odd, however, is that the marketable securities tax was not abolished, especially in view of the emphasis De Jongh placed in his statement on Tuesday on open market operations and the inadequacy of existing securities markets to enable them to be sufficiently effective.

The *FM* believes that if these new monetary control measures prove effective, the quantitative bank lending ceiling could be removed within three months. The testing time should not be long, as the first issue of Reserve Bank debentures will be on the market in the third week of April, with buyers having to bid for their requirements.

But a great deal more needs to be done to refine the monetary banking system. For instance, the bank's rediscount policy will also have to be active and this implies a Bank rate that is in line with market trends.

At present, Bank rate is so high in relation to the price of wholesale money, that the very borrowing and lending outside banks (of which Horwood complains) is being stimulated.

Another component of bank monetary policy is exchange control, the relaxation of which would also help reduce surplus liquidity and thus the differential between interest rates here and abroad.

The further relaxation of the movement of residents' capital — through increased travel, maintenance and study allowances — is thus a welcome advance, as is the reversal of the Reserve Bank's policy on forms A and E — which now apply to amounts of R200 and not R50.

How effective will be the readier approval of "early repayments of certain foreign loans" is difficult to assess at this early stage.

But the glaring omission is that local banks have not been allowed to make short-term deposits abroad. It is no good for the Reserve Bank to argue that this would give the banks an undeserved windfall profit. The bank is itself already gratuitously handing profits to them by not bringing Bank rate into line with the cost of wholesale money market deposits. For, as lending rates are geared to Bank rate, the banks' margins are, in consequence, swollen.

The *FM* believes the changes in monetary policy application are positive and will be beneficial. But as Prof Lombard intimates, they treat symptoms, not the root cause of excess liquidity. In essence, that must be tackled by fiscal stimulus. Their success will ultimately depend on how robust Horwood's growth measures prove to be.

HIGHER CASH RESERVES?

Changes in banks' supplementary requirements release R205m in liquid assets. But the requirements against medium term liabilities of big banks are up by 5% (in the form of a cash reserve with the NFC) to 35%, the *additional* amount being tied up amounting to R240m. The net effect, therefore, is a R35m increase in liquid asset requirements.

An additional R256m cash reserve will have to be placed with the National Finance Corporation (NFC), including the R240m from big banks and R16m from small banks (ie, 3% supplementary requirements against medium term liabilities from small banks).

The loss of earnings to the banking sector as a result of the higher free balances will amount to some R13,4m on an annual basis.

The 6% increase in lending ceilings on banks' base figure at September 1975 (calculated at a total of about R7 billion) will make an additional R429m available for lending.

STATE REVENUE ACCOUNT

	Sub-total	Budget figure 1980-81 Rm	Revised figure 1979 80	% change
EXPENDITURE				
Estimate		12 823		
PLUS: Supplementary appropriations financed from 1979/80 surplus		96		
PLUS Supplementary appropriations financed from 1980/81 revenues:				
Social pensions	56			
Food subsidies	70			
Other	38	164		
Total expenditure		13 083	11 480	14,0
REVENUE:				
Inland revenue at existing rates (excl loan levies)		11 765		
LESS: Concessions on:				
Surcharge on import duty	260			
Taxation of black persons	55			
Married working women	28			
Income tax on individuals	544			
Other	22	909		
Total revenue		10 856	9 797	10,8
DEFICIT (before loans)		2 227	1 683	32,3
PLUS: Loan redemptions		1 430	1 400	2,1
TOTAL FINANCING REQUIREMENT		3 657	3 083	18,6
FINANCING:				
Domestic loans:				
Public debt commissioners		1 650	1 405	
Reinvestment of maturing stock		850		
New stock issues		600	1 040	
Non-marketable debt		400		
Foreign loans		100	277	
Loan levies		—	510	
Surplus (carried forward)		96	147	
TOTAL FINANCING		3 696	3 379	
BALANCE		39	296	
Transfer to: Special Defence a/c		—	160	
SWA a/c		—	40	
SURPLUS		39	96	

Bifsa hoped for more relief for home-buyers

STAR 25/3/80

By Frank Jeans

While the Minister of Finance is applauded for his Budget initiative for growth through the private sector and the man in the street, there is inevitably the disappointment somewhere along the line.

And while the Building Industries Federation (Bifsa) in common with all other sectors of the economy is praiseworthy over Senator Horwood's expansionary measures, particularly with regard to low-cost housing, the federation had been hoping for even further tax concession for home-buyers.

Nevertheless, Bifsa welcomes the Minister's "stated intention" for the standing commission on taxation to "thoroughly investigate the entire question of tax incentives."

Says a Bifsa spokesman: "What we missed particularly (in the Budget speech) was no reference whatever to tax concessions to first-time home buyers, on property taxes, or a positive assurance that housing benefits would not be taxed, all of which were proposals submitted recently to the Minister by Bifsa."

The federation views with some trepidation the Minister's remarks on interest rates, and says: "Contractors and the public alike should heed the implied warning of the Minister that present rates are abnormally low.

"The implication is clear — build now."

The allocation of an additional R22m for the National Housing Fund as well as the transfer of funds from building societies to the funds, all of which will help to alleviate the housing shortage among the lower income groups, come as a "shot in the arm" for the building industry.

Says Bifsa: "The whole housing situation must receive a shot in the arm from increased earnings for Government servants, civil servants and decisive across-the-board income tax reductions.

"This will put more money into the pockets of potential home buyers."

In the area of private housing, which represents about 30 percent of the industry's output, the federation welcomes the reduction of transfer duty which was "in line with a recent submission to the Minister."

Housing injection welcomed

South Africa's building societies are grateful for the role which has been handed to them from the Minister in the battle to ease the housing shortage among the lower income groups, writes Frank Jeans.

By injecting mortgage loan funds from the Department of Community Development into the societies — thus re-channelling money to the department for further loans — a spurt will be given to the provision of homes for the non-white groups.

Building society [illegible]ies point out that this will give the movement the opportunity to play its part in alleviating the housing shortage, and that with the cash liquidity at present, this lending avenue which is being opened up will "not be a deterrent to any one sector seeking loans."

On the other hand, according to Mr H J Dodds, president of the Association of Building Societies, this move should be regarded rather as a "one off" exercise than a continuing source of finance for the department.

"Building societies," says Mr Dodds, "are not likely to remain sufficiently flush with money in the long-term to make a repeat operation feasible."

Mr Dodds said the increased allocation of money to the National Housing Fund was greatly welcomed because of the "crying need for more housing for the lower income groups."

The president, however, referring to the fact that in all Budgets, there were items "that some would have wished were different," said the decision to reduce the permissible maximum investment in building society tax-free subscription shares from R150 000 to R50 000 was viewed "with some dismay."

Says Mr Dodds: "In the long-term, this could add significantly to the difficulty building societies face in attracting sufficient funds to meet the ever-growing demand for housing loans.

"Furthermore, the possible resulting drain of funds, which will have to be replaced by more expensive money, could exert an upward pressure on the mortgage rate."

Mr Dodds also pointed out that the present high level of liquidity in the movement was exceptional, and unlikely to continue indefinitely.

(58)

Building society dismay at Budget

RDM 28/3/88

THE ASSOCIATION of Building Societies is dismayed by the Budget decision to cut the ceiling for tax-free subscription shares to R50 000 from R150 000.

Its president, Mr Harold Dodds, says that in the long term, the decision could add significantly to the difficulty building societies face in attracting sufficient funds to meet the growing demand for housing loans.

The possible resulting drain of funds, which will have to be replaced by more expensive money, could exert an upward pressure on the mortgage rate.

The present high level of liquidity in the movement is exceptional and unlikely to continue indefinitely.

The societies welcome positive steps to switch Department of Community Development mortgage loans to building societies, releasing department funds for more lower-income housing.

The reduction of transfer duty for houses, sectional title dwellings and private residential stands will help the hard-pressed home buyer, he says. — Reuter.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

12010 LOWER DIPLOMA IN LIBRARIANSHIP YEAR : 1 12010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	
~~1409RUP~~	~~GUHRING-UHLE~~	~~URSEL~~	~~118101~~	~~CULTURAL HISTORY OF W.E. I UP (50)~~	~~1~~	~~1409R0P~~
159075H	ELEEPS	CHARLES PETER	118101	CULTURAL HISTORY OF W.E. I UP (50)	3	159075H

* TOTAL NUMBER OF STUDENTS 2

DEAN

REGISTRAR (ACADEMIC)

UCT

Sage Fund going for industrials

RDM 28/3/80

(58)

By ELIZABETH ROUSE

AN optimistic view of prospects for most sectors of the stock market is considered justified if the gold price does not decline drastically and socio-political events do not significantly upset the rising business and consumer confidence.

This is the view of directors of Investors Mutual Funds, management company of Sage Fund. They say in the annual report that the fund is well placed to benefit from the expected improvement in the economy. They are confident the fund will again produce satisfactory results for unitholders this year.

The fund's investment policy, although cautious and highly selective, is to remain fully invested while retaining flexibility to adapt the balance between various sectoral holdings in the light of developments and fresh opportunities.

In the months ahead activity will focus on further broadening the industrial content of the portfolio.

The directors are confident that consumer spending will gain further impetus as a result of the Budget concessions.

A strong revival in fixed investment by the private sector can be expected and will greatly improve the sustainability of the current upswing.

Even if gold declines to an average of $350 to $400 for the year, the basic strength of the economy should not be disturbed.

With the expected revival of private-sector investment, and a more rapid tempo of economic growth in general, interest rates can be expected to show some upward bias, partiularly in the latter part of the year.

Further growth in corporate earnings and dividend payments can be expected as a result of the higher level of activity.

The surplus of the current account of the balance of payments is likely to be reduced considerably this year. The notable improvement in South Africa's foreign credit and investment rating should speed the improvement and eventual stemming of the net outflow of funds on the capital account of the balance of payments.

The international outlook is gloomy and prospects appear at best to be for a period of slower and perhaps negative growth, coupled with high inflation rates.

While these conditions should serve to underpin the gold markets for some time, the longer-term implications for South Africa of any protracted recessionary period abroad are cause for concern and warrant a relatively conservative approach by the authorities to economic policy making in the months ahead.

Investors Mutual Funds taxed profit improved by 38,3% to R173 664 in 1979 from R125 531 in the previous year.

A more active marketing policy is being pursued. An encouraging sales trend has been developing in recent months

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

12010 LOWER DIPLOMA IN LIBRARIANSHIP YEAR : 1 12010

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	
~~140980P~~	~~[illegible]~~	~~URSEL~~	~~11101~~	~~CULTURAL HISTORY OF W.E. I UP (50)~~	~~1~~	~~140980P~~
159075H	ELEERS	CHARLES PETER	11101	CULTURAL HISTORY OF W.E. I UP (50)	3	159075H

* TOTAL NUMBER OF STUDENTS 2

DEAN

REGISTRAR (ACADEMIC)

Liberty call for rand freedom

58 con 29/3/80

WITH THE possible exception of a few Opec countries — none of which has South Africa's highly developed financial infrastructure — South Africa must be one of the most economically powerful and strategically placed nations in the world, says Mr Donald Gordon in his chairman's statement in the annual report of the Liberty Life group.

"It is, therefore, of serious concern that the South African authorities have allowed the external value of our currency to depreciate to a level which bears no resemblance either to our economic performance, potential or the relative purchasing power of the rand," he says.

"The South African economy is clearly poised for a powerful revival which could be sustained for a considerable period into the future provided the appropriate fiscal and political strategies are applied to consolidate the innumerable favourable factors which seem to be running in favour of the Republic".

He believes that the financial rand system as practised should be abolished and at most retained purely for stock exchange portfolio investment, "and not extended for the multitude of purposes for which it is currently being utilised"

"The financial rand system, in my opinion, has seriously detracted from the possibility of attracting real foreign capital inflow into South Africa and the policy of allowing foreign investors using financial rands to obtain South African assets on more favourable terms than local investors seems particularly inappropriate and unfair in the current climate prevailing in South Africa."

He says that notwithstanding the positive features, two main areas of concern for the South African economy are the "unacceptably high level of inflation and the apparent minimal level of capital inflow arising from foreign investment"

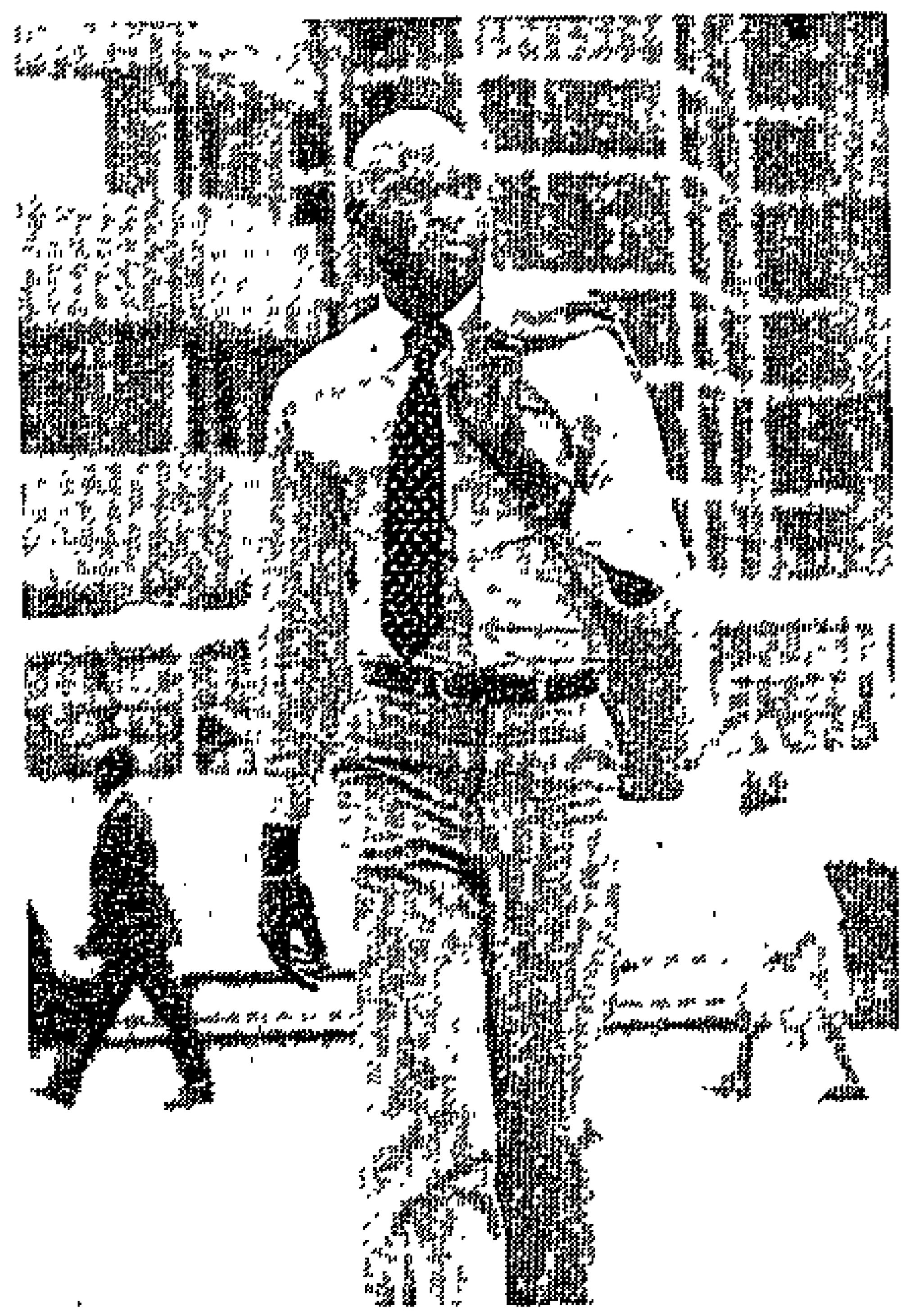
One of the major causes of inflation has been the soaring cost of imports caused largely by the rising cost of oil and the high rate of inflation imported from South Africa's trading partners — Sapa.

MOSES LEOKA

Firm believer

FM 28/3/86

(58)



Moses Leoka describes his function as that of filling the liaison gap between the JSE and the potential black investor. "It is," says Leoka convincingly, "a tough job. It is not only a question of promoting share investment but also the free enterprise system

"The SA situation is complex and difficult at the moment A lot of blacks are anti any establishment and one is continually walking a tight-rope My role is to expose blacks to the opportunities open to them to participate in the system. The stock market is, after all, one area that is relatively free of restrictions."

All you need is the money.

Leoka was born in Johannesburg and has lived all but three years of his life in the city. "I went to the University of the North where I majored in political science and it was there that I became a free enterprise man. After studying the concepts of socialism, marxism and the free enterprise system, I was convinced that a market economy allows the best opportunity for the individual to realise his potential "

Leoka is obviously still convinced and, as he talks with hands clasped together as if in prayer, you get the feeling that he is a true believer.

After university he went into personnel but finding it monotonous he jumped at the opportunity of entering the "hustle and bustle" of the financial world.

Why was he picked for the job? "That's difficult to say but I suppose because I am stable and well-balanced," says Leoka with a self consciousness not often found among public relations personnel. "My job demands that you remain unruffled at all times. You can get some pretty piercing questions thrown at you."

But most people are positive. "I am young — only 29 — and as I deal mostly with students, it stands in my favour. They can identify with me; I appeal to their emotions I try to be as frank and genuine as possible "

Most of his time is spent giving lectures and information to students at schools and universities."They are the investors of the future." Leoka is also involved with the Stock Exchange Game — a competition set up by the JSE for young aspiring investors. "Black teams have done well considering their disadvantages. The education upheaval in black schools hasn't helped. The top black team came 81st out of 500,"says Leoka with pride

How successful has he been in attracting black investors? "It is not possible to check the actual number of investors and anyway we don't measure our efforts in numbers. Our yardstick is the amount of interest generated."

Leoka's fascination for both the JSE and free enterprise come through as he shows you around the building. He stops at a map showing the stock exchanges dotted throughout the world. "Look at all the stock exchanges operating within the free enterprise economies," he says almost in awe

BLACK BUSINESS (58)

Nafcoc thinks big

FM 28/3/80

Nafcoc recently announced a five-year development plan. Central to its success is the setting up of a reliable source of capital finance — and "white" expertise is being called in to help.

Nafcoc has met several major SA and foreign concerns to talk matters over.

According to Moses Maubane, former Nafcoc executive director and now assistant GM of the African Bank, these companies included Barlow Rand from SA, Union Carbide, Chase Manhattan and Citibank from the US; and Siemens and Shell from Europe.

Nafcoc's Maubane . . . money for black business

Maubane says that at the meeting there was "a certain amount of agreement with Nafcoc plans But the representatives will report back to their boards before making any commitments."

Nafcoc's industrial development arm is spearheading the move to establish a financial and manufacturing network to assist the rise of black-controlled industries. This arm, a registered company whose directors include Maubane and African bank chief Sam Motsuenyane, will serve as both a financier and co-ordinator of industrial projects. It will concentrate on development in the country's metropolitan black areas through the provision of low-interest loans.

"This kind of financing is usually done by government," Maubane tells the *FM*. But, although Pretoria has removed many restrictions on black enterprise in the urban areas, it has not yet come forth with a formal aid structure. Nafcoc's industrial arm is seen as the urban black answer to the para-statal Corporation for Economic Development, which exists to boost the economies of the bantustans.

It will attempt to create industrial estates and play a catalytic role in linking up small black manufacturers with larger, white concerns.

Also in the pipeline is the construction of a mill in BophuthaTswana. A consulting firm is conducting a feasibility study, and the possible siting of the plant in the homeland is related to the close proximity of the huge PWV black consumer market.

Nafcoc also intends establishing a building society. The recent restoration of leasehold rights to urban blacks, as well as government's desire for the private sector to become more involved in black housing, has prompted this move. "We need only a marketing strategy to start operations," Maubane says.

The major bottleneck will undoubtedly be capital. The retarded state of black business and the inability of the SA capital markets to meet the peculiar needs of a community without adequate collateral might set the projects back.

In another attempt to overcome these handicaps on a self-help basis, Nafcoc has started a non-profit making national trust, which will be financed by donations from members and will be expected to grow through the interest earnings from borrowers, to underwrite black businesses.

It is, however, unrealistic to expect that the trust will ever be able to meet even a small portion of the needs. Assistance from major financial institutions is essential. And last week's meeting could well lead to their participation.

offering competitive prices directly through the supermarket, and indirectly by supplying traders with goods bought in bulk through the cash-and-carry division. Blackchain MD Hebron Majola tells the *FM* "Suppliers have really gone out of their way to give us excellent prices. We are going to be very competitive."

The Diepkloof project is regarded as the first leg in the establishment of a chain of similar undertakings throughout the country's black areas. Majola says the company is already scouting around for sites. Furthermore, the hurdle of adequate collateral has been partially overcome through banks' accepting 99-year leasehold as a firm enough guarantee. The initial loan to Blackchain was extended on this basis.

When in full swing, the complex is expected to generate over R3m a year in cash turnover, and provide job opportunities for 250. With a bank, a building society and the largest hospital in the country, Baragwanath, in the vicinity, Blackchain's baby should go a long way towards generating busy commercial life in the area.

PROPERTY MANAGEMENT

Agents vs owners

Efficient property management without doubt lends itself to worthwhile economies and improved letability. But whether agents are better property managers than owners could be debated *ad nauseam*.

Property management, says Les Weil joint MD of J H Isaacs, is a specialised service business, and an important tool of the managing agent is the ability to compare rentals and expense ratios of similar types of buildings. Deviations would then indicate a need for corrective action. Weil believes the Institute of Estate Agents, Sapoa and the Chartered Accounts should encourage standardisation in property accounts to facilitate their interpretation.

Old Mutual's David Frost argues that a professional sees no difference in managing a share investment portfolio, or a string of properties. Because of the need to maintain a corporate image, larger institutions like the Old Mutual, which owns property valued at hundreds of millions of rands, cannot risk delegating the responsibility to anyone, he says. Their own departments staffed by people skilled in property management can do the job better and cheaper themselves. If they can't, he adds, perhaps they should not be in property at all.

Consensus at this week's Institute of Estate Agents seminar was that the smaller institutions do not have the strength or size to warrant setting up sophisticated property management services and it is here the managing agent plays an important role.

Score Discounters, whose first eight stores opened this week, are likely to be highly successful, if their skill in negotiating give-away rentals is an indication. MD Carlos Dos Santos, ex Metro Cash & Carry, says all are existing properties, 400 m² on average, located close to bus termini and stations.

Rentals range from R1,50 m² to R4,30 m², leases are short (six months to five years) with renewal options and escalation clauses set between 4% and 6%. The stores will be served from a 5 000m² warehouse and offices in New Centre. Rental on the warehouse is also well below market levels. Lease is five years renewable with stipulated escalations.

Dos Santos says Score tied up leases between November and mid-January and could have had even better deals if they'd begun six months earlier. For the next 12 stores, scheduled to open before December, Score is expecting to pay up to R7/m² for prime locations as demand boosts rentals. But with an anticipated monthly turnover of R2m by year end, terms should still be excellent.

The National Sea Rescue Institute (NSRI) will benefit by R167 000 from the auction of Panama house, a three-storey downtown commercial property in Durban's Smith Street. The building was donated by an anonymous benefactor for auction for the institute's benefit. Net annual income of R20 300 provides a return of just over 12%. Auctioneer Michael Hyatt, of Russell and Marriott, says the property was bought by a local consortium of Greek investors who intend eventually to convert the building for their own use.

Hyatt also reports negotiating a 15-year lease on a R690 000 development at Hillcrest giving an 11% return. Lessee is Richdens, a Spar franchise holder, which will take 2 074m² shopping space in the development on a 9 374m² site. There will be three subsidiary shops offering a total 675m² and the balance will be devoted to parking.

Citiplan director Peter Corrigall says maintenance and labour can contribute between 17% and 33% of total operating expenses. Maintenance and cleanliness also determine a property's letability, adding further to cost factors.

Properly planned preventative measures can minimise the effects of inflation later, he adds. The pros and cons of agents in the control of maintenance and labour are many, but Corrigall points out that larger firms of agents are able to employ technical personnel to evaluate and attend to, or supervise, the work.

It is in the field of marketing and letting that agents come into their own. Says Frost: "When the average office tenant requires new accommodation, he usually contacts an agent. And without good relationships with agents property owners would be cut off from the enquiries."

SOWETO TRADE

(58) FM 28/3/80

Blackchain on spot

In April the country's first major black shopping complex opens in Diepkloof, Soweto. Blackchain Ltd, a company of black businessmen, is behind the concept. There will be medical and business offices, a cash-and-carry store, and a supermarket, all housed in a R1,7m building in an area rapidly emerging as Soweto's CBD.

Blackchain floated shares of R1m, of which R530 000 was subscribed by the black public and a consortium of black businessmen. The complex was initially funded with a R2m loan advanced by three SA banks.

Underlying the venture is the drive to capture the township's buying power and to prime its commercial life. It is estimated that 80% of Soweto's consumer expenditure goes outside the area — proximity of stores to work areas being a major factor. However, the chief reason black buyers prefer non-Soweto stores is that prices are lower.

Blackchain hopes to reverse the flow by

58

GILTS TRADING

Spreading the word

FM 28/3/80

From May 1 the Johannesburg Stock Exchange will have its own special trading floor for fixed-interest securities, including government and municipal stocks. This should mean that information on buying and selling rates will become more readily accessible to brokers and clients.

The JSE has faced some criticism that its market in gilts and semi-gilts had been somewhat disorganised, with some clients claiming this to be evident from widely differing buying and selling prices being quoted for the same stock and that, in some cases, being less than those at which original borrowers were prepared to repurchase.

But much of this criticism is based on misapprehension of normal market dealing procedure. Stockbrokers point out that the market in gilts is essentially a wholesale market dealing in large lines and that they do not quote buying and selling spreads — that is interest spreads.

When dealing in large lines, brokers will only take a brokerage rate (or turn) and these rates on various amounts are, in fact, stipulated in the JSE's handbook. Brokerage rates are quoted on the basis of yield to maturity. Most of the larger brokers claim that on average they take less than half the brokerage allowed.

However, brokers do quote interest spreads on odd lots, under R100 000, which they may be holding in their own portfolios and in which they would then be dealing as principals. But then they must have held the stock for at least two days.

Brokers say it is not unusual for original borrowers and other larger financial institutions dealing in fixed-interest securities to quote a 20-point to 30-point spread between buying and selling rates. These spreads obviously refer to differences in the yield to maturity which the seller considers acceptable. For example, Escom may be prepared to sell its own stock offering a yield to maturity of 9,30%, but may only be prepared to buy back the same stock offering 9,60%. That amounts to a 30-point interest spread, which is in turn a function of the price of that stock.

On the other hand, a price spread of say 3%, is the difference between 100 cents % and 103 cents %.

There are a number of formulae for calculating yield to redemption — the most widely used currently being that of the Hewlett Packard 92 calculator. A 30-point interest spread — for example, between a rate of 9,50% and 9,20% on a long-dated Escom stock — can result in something like a 3% difference in the price.

Although brokers say that a 30-point interest spread would be considered excessive in a large, active secondary market, it is not necessarily too big in a small market, particularly on odd amounts under, say R20 000.

They point out that the 1% spread often quoted by banks on municipal paper refers to price and not yield to redemption and applies to long-dated paper.

Brokers claim they welcome participation by merchant banks and other institutions in the secondary market, particularly as they actively assist municipal borrowers develop markets in their own stocks.

Certainly the JSE's gilt market could do with streamlining. Quite obviously its novelty has caught some smaller brokers unprepared, so it is quite possible that anomalies and mistakes may arise. But a number of the larger firms have already employed their own gilt specialists and have already captured a sizable chunk of the total market. And the new floor will help educate the less experienced.

BROKERAGE RATES FOR GILTS

In transactions where the Nominal Value:	Brokerage rate as a function of the yield to maturity
Does not exceed R20 000	0,05%
Exceeds R20 000 but does not exceed R100 000	0,03%
Exceeds R100 000 but does not exceed R500 000	0,02%
Exceeds R500 000	0,01%

The rates detailed above are subject to a minimum levy of R10 per deal but deals where the total consideration is less than R50 are exempt from this minimum.

Financial Mail March 28 1980

Ou Mutual: alle rasse nou dieselfde

RAPPORT 30/3/80

(58)

OU MUTUAL het rassedifferensiasie by lewensversekering uitgeskakel. Dit volg op 'n aankondiging dié week dat die verkryging van mediese getuienis vir aansoeke om lewensversekering voortaan volkome op 'n nie-rassegrondslag sal geskied.

Die stap, tesame met sy volkome ongedifferensieerde premietariewe wat Ou Mutual in 1976 ingestel het, voltooi die pogings van dié genootskap om ras uit te skakel as maatstaf vir die voorwaardes waaronder 'n polis uitgereik word.

Volgens mnr. Theo Hartwig, assistent-hoofbestuurder, het Ou Mutual in 1976 alle premiebeladings wat op 'n rassegrondslag gebaseer was, afgeskaf, maar, soos ander versekeringsmaatskappye ook gedoen het, het hy die nodige mediese getuienis op 'n rassegrondslag ingewin.

Weens sy onderneming om versekering aan alle sektore van die bevolking te voorsien, het die genootskap vir die regte geleentheid gewag om die gedifferensieerde vereistes te verslap.

Die stap is moontlik gemaak deur die stygende lewenstandaard in die meeste gebiede van Suider-Afrika. Dit word weerspieël deur die afname in sterfgevalle en die afname in die voorkoms van sommige siektes.

Enige persoon met òf 'n matrieksertifikaat òf 'n gereelde inkomste van meer as R500 per maand, sal van nou af in staat wees om vir versekering aansoek te doen sonder 'n mediese ondersoek ingevolge die skaal wat tot og toe net vir blankes gegeld het.

Dit sal persone van tot 35 jaar oud, ongeag sy bevolkingsgroep, in staat stel om sonder 'n mediese ondersoek aansoek te doen om versekering van hoogstens R75 000. Diegene tussen 36 jaar en 40 jaar sal versekering van tot R50 000 en persone van 41 tot 50 jaar versekering van tot R25 000 sonder mediese ondersoek kan aanvra.

Persone wat òf weens hul inkomste òf vanweë hul onderwyskwalifikasie nie kwalifiseer nie, sal om 'n maksimum bedrag van R7 500 aansoek kan doen totdat hulle 40 jaar oud is. Ouer persone in die groep sal gevra word om 'n mediese ondersoek te ondergaan, ongeag die versekeringsbedrag.

Die nuwe maatreëls geld vir die hele Suid-Afrikaanse monetêre gebied en vir Zimbabwe. Die veranderde beperkings sal dus geld vir gebiede soos Transkei, Bophuthatswana en Venda.

STU13-9 EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1 14149

14149 H.A./ YEAR : 4

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL	
102531	BUCHAN	ROSEMARY KATHERINE	102101	AFRIKAANS	UP (50)	102531X

* TOTAL NUMBER OF STUDENTS 1

DEAN

LEASING

Foreigners hit

58

FM 24/3/80

For three months banks have been waiting for a reply from the Reserve Bank to their request that leasing to and invoice discounting (factoring) of foreign-controlled companies should not be considered part of their local borrowings.

According to bankers, the Reserve Bank had undertaken to reply to the Association of General Banks in January this year. Banks submitted their proposals in mid-December last year.

The essence of the Association's proposal is that leases written on behalf of 31f companies, as well as their invoice discounts, should be exempted from these companies' local borrowing restrictions. In 1976 the Reserve Bank changed the rules to make all leasing transactions part of foreign companies' local borrowings.

Before 1976 only those transactions with recourse to final borrower clauses written into them were included under 31f company local borrowings, while non-recourse deals were excluded.

The Association feels that all deals, with or without recourse, should be exempted from local borrowing restrictions. Its argument is that when the banks "buy" the leasing or factoring receivables, they are merely advancing the date on which the company can take possession of the equipment.

"It boils down to a case of the banks accelerating the debt period, regardless of whether or not there is a recourse clause," argues one leasing expert.

Bankers spoken to by the *FM* feel the Bank's failure to respond to their proposals "go against the spirit of the De Kock Commission" and the recent moves to reduce controls over foreign-controlled companies in view of the liquidity surplus.

EXAMINATION RESULTS IN FACULTY ARTS AS AT 29 02 80 PAGE 1

15036

S.113-9

15946 H.A./LL.B. YEAR : 3

STUD NO	SURNAME	FIRST NAMES	COURSE	DESCRIPTION	SYMBOL			
~~1018349~~	~~[illegible]~~	~~BRYAN CECIL~~	~~602111~~	~~PUBLIC INTERNATIONAL LAW~~	~~ABS~~		~~4~~	~~101834P~~
1154740	HARPER	GREGORY MARK	602101	PUBLIC INTERNATIONAL LAW	2-	(67)	5	1154740
~~114433AF~~	~~JACOBS~~	~~DENISE ELLEN~~	~~604201~~	~~ROMAN DUTCH LAW I~~	~~1~~	~~(76)~~	~~4~~	~~114433AF~~
		DIANE	603202	ROMAN LAW & JURISPRUDENCE	I3	(53)	4	1030696
		~~BRIAN ANTHONY~~	~~603202~~	~~ROMAN LAW & JURISPRUDENCE~~	~~IUP~~	~~(56)~~	~~5~~	~~100344V~~
		HENRY	603202	ROMAN LAW & JURISPRUDENCE	IUP	(50)	4	094400C
		~~MICHAEL DAVID~~	~~603202~~	~~ROMAN LAW & JURISPRUDENCE~~	~~IUP~~	~~(50)~~	~~4~~	~~102253V~~

TOTAL NUMBER OF STUDENTS 7

REGISTRAR (ACADEMIC)

UCT

Black homes schemes spelled out

SUN. TRIB 30/3/80

(58)

By Frank Jeans

MANY urban blacks might well be unfamiliar with the broad principles of the 99-year lease system which brings home ownership to them.

And spelling out the vital differences between 99-year-lease and the present 30-year right of occupation is Mr Philip Sceales, chairman of the United building Society.

Introducing the UBS's first black housing project at Sebokeng Zone 14, near Vereeniging, Mr Sceales said: "For more than 10 years we have fought and battled to bring about black home ownership.

"We have still not got to the point of freehold title for urban blacks, but today you see nine houses which have been built and sold under the 99-year leasehold scheme."

The 99 year lease is tantamount to freehold ownership said the United chairman, and he had no doubt that within a few years that is what it would become.

Mr Sceales then went on to spell out the advantages of 99-year lease compared with 30-year occupation, which, he said, was frequently referred to as the 30-year home ownership scheme.

"This is totally misleading, and I think it is important that the difference between both schemes should be spelt out," said Mr Sceales.

A 99-year lease:

- Cannot be cancelled even for non-payment of rental or levies and even if the holder ceases to be a qualified person.
- Can be mortgaged.
- Vests land and improvements in the owner who can resell at a profit to any qualified person of his choice for whatever price he can get.
- Can be bequeathed and if the heir is not a qualified person the heir can sell it for his own benefit.
- Can be insured by the owner.
- Can be altered provided the plans approved by the competent authority (community council).
- Denies board officials right to entry and inspection.
- Makes initial cost of grant more expensive and finance must be obtained at building society rates.

A 30-year right of occupation agreement

- Can be cancelled in terms of Government Notice R1036 for a variety of reasons.
- Cannot be mortgaged, or pledged except with consent of the Board and then only by notarial bond.
- Only improvements belong to owner and he can sell only to a person approved by the Board at a price determined by the Board in the case of disagreement.
- Cannot be bequeathed and must be disposed of to a person approved by the Board at a price approved by the Board.
- Is insured by the Board.
- Can be altered only with consent of township manager.
- Allows Board officials to enter and inspect at any time.
- Cost of grant is less and financed at Community Development rates.

Mr Sceales said the UBS had more than 400 black developments under examination for this year at a cost of R27-million, and these projects would spread throughout the country in black urban areas from the Cape to the Transvaal.

STAR 31/3/80 (58)

GENERAL

90 pc loan limit now up to R35 000

By Frank Jeans

The Natal Building Society has brought home-ownership within reach of many more people with the announcement that it is now granting 90 percent loans on homes valued up to R35 000.

Previously, the limit on 90 percent loans was R28 000.

On NBS-developed properties, the percent level will apply to homes valued at up to R40 000

This raising of the NBS lending limit will also help to counteract the current boom in home prices.

The R7 000 increase has been made possible through the operations of the NBS's insurance company which will provide the guarantee required in terms of the Building Societies Act.

"The guarantee is obtainable by the payment of a modest single premium to the NBS Insurance Company," says a spokesman for the society.

South Africa's other major building societies are also looking at the 90 percent bond level

FINANCE - GENERAL

2 April '80 - 14 April 1980

Sanlamtrust's assets total R46 167 000

(58) 2/4/80 Stot

CAPE TOWN — Sanlamtrust's total assets, at March 31, 1980, amounted to R46 167 000, according to the quarterly report released in Cape Town yesterday.

The major holding — R26 057 000 or 56 percent — was in industrials and other equities.

At the end of December 1979 the total assets amounted to R45 218 452.

The annual yield on the latest selling price at 4,99 percent, and the dividend payable on March 31, ,s 7,50c.

The selling price reached a high of 324,43c during the quarter as against a low of 293,60c.

3,58 PERCENT YIELD

The total assets for National Growth Fund amounted to R97 858 000, with the major holding of R49 618 000, or 51 percent, in industrials and other equities. At the end of December 1979 the total asset amounted to R103 384 000.

The annual yield on the latest selling price was 3,58 percent, and the dividend, payable on March 31, is 3,80c. The selling price reached a high of 208,08 c during the quarter as against a low of 185,00c.

The total assets of the SA Trust Selections (SATS) for the quarter are R31 165 000, with the major holding of R14 715 000, or 47 percent, in industrials and other equities.

The total assets amounted to R32 054 437 at December 31 1979.

Annual yield on the latest selling price was 4,26 percent and the dividend payable on March 31, was 3,10c.

The selling price reached a high of 150,47c as against a low of 131,62c.

Assets held by the Trust Bank Growth Fund amounted to R35 969 000 with the major holding of R17 651 000, or 49 percent, in industrials and other equities. At December 31 1979, total assets amounted to R37 528 000.

The annual yield on the latest selling price was 4,44 percent and the dividend payable on March 31 was 2,20c. The selling price reached a high of 103,11c as against a low of 89,91c.

Santamgro held assets totalling R6 542 000 on March 31, with the major holding of R3 766 000 or 58 percent, being industrials and other equities. At the end of December 1979 the assets totalled R6 539 000.

The annual yield on the latest selling price was 5,05 percent and the dividend payable on March 31 was 3,40c. The selling price reached a high of 144,05c and a low of 131,73c. — Sapa.

Deb market is looking good

(58)

Star 3/4/80

Major corporations should take advantage of the long-term debenture market within the next few months.

There is a continued appetite by the institutions for long-term corporate debentures at current rates, with the possibility of some down-turn in rates in the near future.

That's the view of Hill Samuel's Barry Mason who feels the debenture market is shaping for a significant run in the next three to four months.

Since last September, there has been considerable stability in corporate debenture issue rates, with yields being maintained in the 10,9 percent to 11 percent area.

Now, the signs of a possible downward break in rates are emerging, Mason believes. With financial institutions expected to swell their coffers by some R2 800m this year, about R1 800m of additional discretionary (after prescribed assets) investment funds will become available. A significant proportion of this could be channeled into debenture issues helping to soften rates.

Other factors likely to influence the scenario are a possible, if brief, reduction in the inflation rate, continuing high liquidity in spite of attempts by Government at mopping up, the possible scrapping or reduction of marketable securities tax (MST) on debentures and a probable reduction in the prescribed investment requirements for financial institutions notwithstanding that neither was menioned in the budget.

"If MST is eliminated, it will have significant impact on the marketability of debentures, making them much more attractive to institutions," says Mr Mason.

In view of the probable upturn in fixed capital investment and inventory building during the course of this year, and an increase in demand for credit by the private sector, there is a possibility that rates may begin moving upwards again within the next six months.

Ned-Equity is firmly on growth trail

Star 3/4/80

(58)

Ned-Equity's new business in 1979 showed accelerated growth, rising by 49,3 percent to R6,8m (excluding single premiums), total assets increased by 40 percent to more than R75m, investment income rose to record levels and dividends were increased by 20,8 percent to a record 7,25c a share.

On the strong indications that authorities intend to further reduce the level of commissions payable on retirement annuities, the board is concerned at the potential impact of such a move on the broking community, following, as it would, the general reduction in commissions in 1977.

Any relief in the area of prescribed asset requirements should enable improved investment returns to be achieved and will thereby benefit the insuring public.

implementation of the transaction 25 percent of the Twins group assets will be trading assets not directly associated with the present trading operations of the W & A group.

Twins year-end will be changed to June.

W & A forecasts that earnings attributable to W & A ordinary shareholders will be about 105c for the year to June and dividends totalling not less than 36c a share will be paid to W & A ordinary shareholders.

LIBERTY LIFE GROUP

Over the billion

LIBERTY LIFE

Activities: *Largest publicly-owned life assurer (third largest life company) Liberty Holdings, itself 51% controlled by Liblife Controlling, holds 81% of the equity. Liblife Controlling is controlled as to 75% by its directors (Donald Gordon and Michael Rapp) and 25% by Stanbic*

Chairman and managing director: *D Gordon*

Capital structure: *10,9m ordinaries of R1, 5,2m 7% cum red prefs of R1 Market capitalisation R196,2m*

Financial: *Year to December 31 1979 Borrowings long- and medium-term R29,7m Debt equity ratio 38,8%*

Share market *Price 1 800c (1979-80) high 2 050c, low, 1 150c trading volume last quarter 103 000 shares) Yields 7,4% on earnings, 5,5% on dividend. Cover 1,3 PE ratio 13,5*

	'76	'77	'78	'79
Total assets (Rm)	[illegible]	[illegible]	[illegible]	[illegible]
Life fund (Rm)	372,2	451,6	560,8	[illegible]
Investment income (Rm)	34,1	39,8	48,0	[illegible]
Net premium income (Rm)	85,0	94,4	113,8	[illegible]
Claims paid to policyholders (Rm)	[illegible]	56,0	47,6	[illegible]
Claims ratio*	[illegible]	[illegible]	[illegible]	[illegible]
Commissions and expenses (Rm)	13,4	[illegible]	[illegible]	[illegible]
Expense ratio†	[illegible]	[illegible]	[illegible]	[illegible]
Inc. transfer to taxed profit attributable (Rm)	9,4	10,1	[illegible]	14,6
Earnings (c)	[illegible]	89,7	115,2	133,6
Dividends (c)	64	74	86	100
Net asset value (c)	571	651	[illegible]	[illegible]

* Claims and policyholder benefits to net premium income

† Commissions and management expenses to net premium income.

LIBERTY HOLDINGS

Capital structure: *41,3m ordinaries of 25c Market capitalisation R155m*

Financial: *Year to December 31 1979 Borrowings long and medium-term, R29,7m Debt equity ratio 18,8%*

Share market: *Price 350c (1979-80 high, 410c, low, 215c trading volume last quarter, 276 000 shares) Yields 8,1% on earnings 5,5% on dividend Cover 1,5 PE ratio 12,3 Earnings 28,4c (1978: 23,5c) dividend 19,5c (15c)*

As befits SA's biggest listed life assurer, and the country's third biggest life company, the Liberty Life group maintained its steady advance last year Gains were not spectacular — from a high base, it is difficult, particularly in the life industry, to do much more than move ahead at a satisfactory pace -- but they were sound and solid

First total consolidated assets of Liberty Life Association and its immediate parent, Liberty Holdings (in the new structure, the ultimate control rests in the Donald Gordon controlled Liblife Controlling Corporation), exceeded the R1 billion mark for the first time, no small achievement in the 21 years since Liberty Life commenced business on October 1 1958. And, in the past year, the total assets of Liberty Holdings rose by R281,3m, "or more than R1m for each working day." To cap it all, the group's total income exceeded R300m for the first time

So for the expanding Liberty Group, 1979 was a good year. But it was also a year which saw probably as a function of the size and importance of the group on the SA assurance scene a slowing of many of the growth criteria. Within Liberty Life, for example where shareholders have long been used to exotic growth rates, the taxed surplus attributable to ordinary shareholders slowed to a quiet 16% gain at R14,6m (R12,6m) as the transfer to the life fund (which is where policy holders take their cut) rose 44,8% to R118,6m (R81,9m). This, of course, is the area in which Liberty, like all other life assurers, has to stay competitive

For Liberty Life, earnings for ordinary shareholders gained 16% to 133,6c (115,2c) and dividends advanced 16,3% to 100c (86c). At the higher level, in Liberty Holdings, the earnings increase was from 23,6c to 28,4c, or 20,6%, and the dividend was hiked 30% to 19,5c (15c)

As chairman Donald Gordon explains, "the higher percentage increase in Liberty Holdings' dividend has been made to correctly align the dividend rates of Liberty Holdings and Liberty Life to avoid unnecessary duplication of profit retention at the holding company level In future, dividend increases of Liberty Holdings are likely to be more closely related to the rate of increase of dividend in Liberty Life" ... which, incidentally, contributes 82% (77%) of group earnings

The Liberty group, clearly, must continue to grow with the economy, and possibly given its record and reputation, at a faster rate than the established competition of Old Mutual and Sanlam

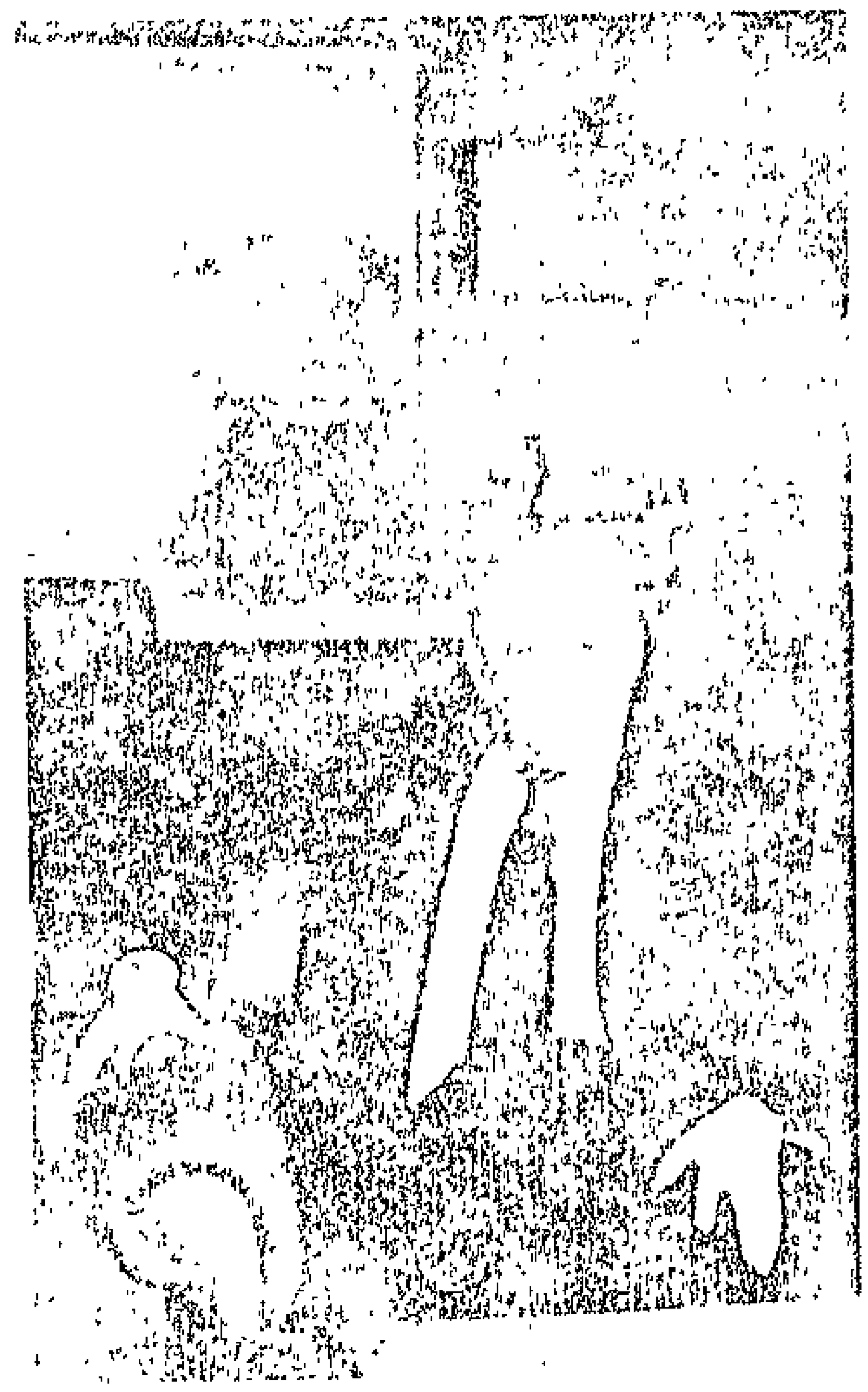
Gordon uses his chairman's statement as a platform from which to air some heartfelt opinions First, there is that knotty matter of prescribed investment requirements. The need for insurance companies to hold 33% of assets in prescribed securities, and for pension funds to hold 53%, both still 3% above the levels prevailing in 1977, is unduly onerous, notes Gordon And the time has come, he recommends that these prescribed requirements should, "if not abolished entirely, be significantly reduced" Continuing, Gordon says "The reduction of prescribed investment requirements would permit a greater level of discretionary investment."

Next Gordon calls for measures to increase the growth rate and for an upward revision in the value of the rand.

Says Gordon "South Africa must today be one of the most economically powerful and strategically placed nations in the world and it is, therefore, of serious concern that the SA authorities have allowed the external value of our currency to depreciate to a level which bears no resemblance either to our economic performance, potential, or the relative purchasing power of the rand"

Both shares remain attributive, with the "cheaper" Holdings having the edge

G. Roman



Donald Gordon . . . maintaining momentum

FM 4/4/80 (58)

VIP-linked policyholders can be doubly pleased with the company's performance. Last year, the market value of its portfolio increased 97,6% (30,9%), boosting nav 67,2% (35,6%), following last year's one-for-five rights issue. By contrast, the JSE Actuaries overall index rose 82,6% to 565,0 (309,5) over the same period.

The company used the additional R14,7m from the rights issue to invest in Sasol, and top up with some gold shares, certain consumer-oriented stocks and others. The biggest purchase was 3,0m Sasol. Since then the share has risen to its current 390c, putting a potential profit of R5,7m into Fugit's coffers. This pushed holdings in the chemical sector up to 10,9% of the portfolio by year-end. The company also took advantage of Cusaf's issue, taking up 308 000 shares. In case any new investment opportunities present themselves, Fugit intends increasing its authorised share capital to 100m shares. So more rights issues may be in the offing this year.

	'77†	'77*	'78	'79
Portfolio:				
Book value (Rm)	37,4	39,0	41,2	60,0
Market value (Rm)	50,8	61,5	80,5	159 1
Pre-tax profit (Rm)	4,3	2,1	5,0	6,8
Earnings (c)	6,5	3,2	7 9	9,8
Dividends (c)	5,2	3,0‡	6,75	8,5
Net asset value (c)	81	92	125	209

† Year to June 30 * Six months to December 31
‡ Excludes 5c special dividend

Now the biggest holdings are in mining houses, which make up 18,1% (12,6%) of the total portfolio, by market value. Fugit hoisted its Anglo American holding to 750 000 (550 000) shares and GFSA some 43 000 to 125 000.

In golds, the company purchased an additional 24 000 East Driefontein, 15 000 Randfontein, 15 000 Vaal Reefs and 8 000 Buffels. Not running a jobbing portfolio, Fugit largely owns heavyweights. The only exception is its holding of 105 000 Harmony, but the mine has uranium reserves which to some extent offset its marginal status. While the additions to the gold portfolio are understandable, it is rather surprising that the entire platinum holdings were sold in the previous year.

Anticipating an upturn in consumer-based stocks, the stake in Premier Milling, was increased to 1,0m (300 000) shares; SA Breweries was topped up to 3,2m (2,3m) shares; and there were additions to Nampak and Metal Box. The portfolio also reveals Fugit's attraction to banks. It increased its Nedbank holding to 1,3m and Volkskas to 200 000 shares.

In a general industrial and coal reshuffle, 150 000 Amcoals were sold and the holding in Clydesdale raised to 494 000 (420 000). The stake in Barlows was hoisted to 720 000 (669 000) shares and the entire holding of 280 000 Unisecs was sold. The only other sale was all 55 000 of its Toyota shares.

Dividend income increased 34,3% to R7,1m (R5,3m) while expenditure declined to R423 000 (R440 000), leaving the company a R6,8m (R5,0m) operating income. As no tax is paid on dividend income, the tax amounted to a negligible R2 000 (R29 000). This suggests that there was no capital gain in the previous year's sale of 325 000 De Beers.

According to chairman Donald Gordon, the year ahead looks promising for earnings. With the gold price likely to remain reasonably strong, he foresees a 5% real growth rate, leading to further substantial improvements in company results.

However, he cautions that this is the fourth year in which the market has been in a bull trend and that share prices in many instances already discount prospects. So, Fugit's investment strategy should be highly selective.

This year dividend income could rise by more than 40% boosting earnings to around 14c, from which 12,5c could be paid, putting the share on a 6,9% prospective yield. While Fugit's prospects have largely been discounted, the share offers a safe investment.

Peter Pittendrigh

DATES TO REMEMBER

Last day to register dividends:
Friday April 11: Anchusa 5c; B & S Steel 4,5c, Buffalo Timber 2c; Ellerine 14c; Foschini 261c; Lamberts Bay 18c; Lefic 26,10c; Lydenburg Platinum 10,2c; M & R 8c; Premier Cement 7,93c; Rustenburg Platinum 12,5c; Sea Products 25c; Unisec 9,5c; Units 13c.
Meetings:
Tuesday April 8: Vereeniging Refractories.
Thursday April 10: DRG (Cape); Group Five; Rhodesian Corp (London).
Friday April 11: Deelkraal; East Drie; Grootvlei; Marievale; Sand Consolidated; Vlakfontein.

All meetings are in Johannesburg unless otherwise stated

Fugit hardly put a foot wrong last year ...

FM 4/4/80

AMIC

ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED

Net profit rises by 63 per cent to R85,5 million

Unless South Africa trains its total labour force to a level equal to its competitors, it will lose out in many fields—MR G W H RELLY

An abridgement of the annual review for 1979 by Mr G W H Relly, chairman of Anglo American Industrial Corporation.

Reflecting the general recovery in the South African economy, Amic's net earnings rose by a highly satisfactory 63,2 per cent to reach R85,5 million in 1979. Earnings per share rose by 62,6 per cent from 195,1 cents to 317,2 cents per share. These figures exclude the earnings of certain foreign subsidiaries where there is uncertainty regarding the recovery of profits.

Amic's five major subsidiaries all achieved significant profit increases in 1979. The group's profits were enhanced by the inclusion of a full year's profits attributable to the increased interest in Mondi Paper Company and to the excellent results of the new subsidiary, African Products. Amic's investment portfolio also performed well with investment income rising to R11,72 million. Export performance was again highly encouraging, with the export revenues of the group's subsidiaries and major investments increasing by nearly 45 per cent to R230 million, reflecting the further development and penetration of export markets for group products.

The interim dividend was increased by 7,5 cents to 32,5 cents per share and the final dividend by 17,5 cents to 72,5 cents per share resulting in a 31 per cent increase in the total dividend for the year from 80 cents to 105 cents, with the dividend cover rising from 2,4 to 3,0 times. This higher retention was considered necessary in view of the continuing high rate of inflation, the increased working capital requirements arising from improved business conditions and the major capital expansions being undertaken by group subsidiaries, particularly Mondi and Scaw Metals. Mondi expects to commission a fourth paper machine costing some R70 million later this year and a fifth paper machine is scheduled for installation in 1981 while Scaw is proceeding with the construction of a new bar and section mill, ball plant and other capital works at a total cost of some R35 million in current money terms.

The market value of the group's listed investments at December 31 1979 was R138,8 million, reflecting a 192,7 per cent appreciation over book value of R47,4 million. Despite the disposal of Amic's interest in Romatex Limited subsequent to the financial year-end, market values have increased further and the group's listed investments at March 10 1980 were valued at R173,1 million. Unlisted investments with a book value of R34,9 million were valued by the directors at R56,7 million at December 31 1979.

With effect from January 1 1979 Amic disposed of its shareholding in S.A. Forest Investments (Safi) to Mondi in return for the issue of an additional nine million shares by Mondi to Amic. This had the effect of increasing Amic's equity interest in Mondi to 62,65 per cent and reflected the further development of Mondi as an integrated manufacturer of timber and paper products. I am pleased to report that Safi achieved a substantial turnaround in the year under review and earned profits of R5,3 million.

The decade has seen Amic's earnings grow by an average 27 per cent a year from an annualised R10,3 million in 1970 to R85,5 million in 1979. The size of the group has been considerably expanded, and total capital employed has risen from R182 million to R579 million over the same period. This growth has been achieved despite the economic difficulties of the mid-seventies and is considered satisfactory.

FM 4/4/1980

(58)

Stanbic Group profits rise

Ian Mackenzie says current year holds considerable promise

Chairman's Statement

The results presented in the financial statements cover the first full year of trading since the Corporation changed its year-end to December 31. The figures for the nine month period ended December 31 1978 have been annualised for comparative purposes and used as such in this statement.

Financial results

Against an economic background which improved progressively during the year, Group distributable profits rose from R39,7 million to R49,3 million, representing an increase of 24,2%. As a consequence the return on shareholders' funds rose from 16,36% to 17,56%. Earnings per share were 82 cents and a final dividend of 25c has been declared, making a distribution of 36c for the year, covered 2,3 times, compared with 2,1 for 1978. This conforms with our policy announced last year to increase gradually the dividend cover to three times, to provide for the Group's growing capital requirements under inflationary conditions and in the face of inflexible legally fixed capital ratios.

This year the Group is breaking new ground in South African financial reporting by banks. The accompanying notes to the balance sheet contain details of the extent of, and movement in, the Group's loan loss provisions. In my last report, I expressed satisfaction with the trend in loan losses and listed steps taken to improve matters still further. Generally that trend has continued, but net new specific provisions have nevertheless been increased by R16,3 million; the comparative provision being for the shorter financial period. The balance is due to two main factors. Firstly, while lending demand in the business sector has been slack, the Group has increased substantially its advances to the private consumer, through, inter alia, the medium of the credit card and hire purchase finance, both higher risk areas. Based on previous experience in similar economic climates, it has been considered prudent to provide at an early stage for possible bad debts in this type of business. Secondly in the case of a few material accounts, it was considered prudent to set aside additional sums for contingencies. R3 million was provided by Standard Bank Factors Limited on its exposure to Otto Landsberg (Pty) Limited, on its liquidation.

Economic climate

The past year saw a noticeable improvement in the general economic climate. At a time when the world was badly affected by the shocks of a new oil crisis and a major setback for world growth appeared inevitable, South Africa was able to continue building up an enviable growth base. The country's gross domestic product in 1979 is likely to have increased by some 3,5 per cent in real terms and an acceleration in the annual growth to 5 per cent or more in 1980 appears to be within reach.

A major feature of the economy in the past year has been the extremely positive performance of the current account of the balance of payments, due in a large measure to a spectacular increase in the price of gold. Rather than coming under pressure from accelerating imports, as has traditionally been the case in South Africa during recovery periods, the country's current surplus continued to increase during the year. The total surplus for 1979 is likely to have reached some R3 400 million, more than double the previous record amount achieved in 1978. Partly as a result of this and of an increasing valuation of gold holdings, the country's gold and foreign exchange reserves reached the record level of some R4 100 million at the end of 1979.

The strong position of the current account enabled the Treasury to make substantial repayments of long and short term foreign loans. Furthermore, the impact on internal liquidity led to a marked drop in domestic interest rates at a time when foreign interest rates were rising strongly. As a result, a major portion of import and export finance has been switched from foreign to domestic sources.

Banking climate

Liquidity in the banking sector rose strongly in 1979, partly because of relatively slack demand for bank credit from commercial sources. The advances and discounts of commercial banks (excluding those to the Land Bank) increased by only 10,4 per cent over the year. Consumer credit expanded more vigorously.

Both the official bank rate and prime overdraft rates charged by commercial banks were dropped in three stages over the year, by a total of 1,5 per cent. However, money market interest rates fell by a much larger percentage. The rate on 90 day NCD's, for example, which began the year under review at over 8 per cent, had fallen to almost 4 per cent by mid November, before rising to 4,75 per cent in December for temporary seasonal reasons. As a result of the Reserve Bank's reluctance to reduce the bank rate significantly during the year, the gap which has emerged between the cost of overdrafts and that of financing through money market instruments has encouraged borrowers to move away from traditional methods of finance.

If circumstances do not change, this gap between lending and deposit rates, while advantageous to us in the short term, will in time lead to a progressive decline in the demand for overdraft finance, resulting in smaller interest margins for the banks.

The publication of the interim findings of the De Kock Commission on exchange rate policy and the acceptance, in principle, of its recommendations as well as their partial implementation, are of great significance. Although the incomplete implementation of the Commission's recommendations placed severe pressure on the bank's profitability in foreign exchange transactions, the acceptance of the report points to positive movements in official attitudes towards less direct controls over the banking system and greater emphasis on the market mechanism.

In the last three years an inter bank committee has attempted to reach agreement on the implementation of a new system of charging for current accounts of personal and corporate clients. Consensus was reached amongst the banks, but the Registrar of Financial Institutions has asked for reconsideration of the pricing formula to be made and it is unlikely that any change can now be made until later this year.

Social and political climate

Settled conditions were experienced in the last year, which I hope will continue to generate confidence in South Africa and lead towards further foreign investment in the Republic. Of similar importance, has been the positive attempt by Government to involve the business community in areas traditionally reserved to the public sector, which led to a conference at which top businessmen met with government leaders to exchange views and determine areas of common interest. Taken against the background of reports from the De Kock, Riekert and Wiehahn Commissions, this was an encouraging trend. But the momentum of structural reforms must be maintained, if real progress is to be made and accepted within the local and international communities. Government spending has, I think, been well controlled although it continues to spend heavily in strategic areas such as Sasol, which I believe to be vital to the country's future, particularly in a situation where South Africa is enjoying a buoyant economy.

Events are moving quickly in South Africa and we must adjust pace to keep ahead of confrontation. The outcome of the elections in Zimbabwe should not be lost upon us. Namibia too is undergoing considerable change and we cannot ignore the lessons being learned in these two countries.

We must be seen to make changes, fortunately there are still signs that these are coming about as a product of a genuine desire to enhance the position of the less privileged groups in South Africa, rather than as a reaction to increased international pressure to do so.

Community Involvement

The Group provided a further R200 000 of its R1 million commitment to the Urban Foundation. All universities in South Africa received donations and five projects were selected for special support.

The Group sponsored an international tennis test between Spain and South Africa for the Standard Bank Cup and another international will be played in 1980. Junior squash benefited from a sponsorship designed to improve standards among younger players. Stannic sponsored a Miura yacht race in Cape Town for the Stannic Admiral's Trophy. In the cultural field the Group continued its support for the Foundation of African Tribal Art housed at the University of the Witwatersrand.

While the Group was able to donate a considerable amount to a variety of worthy causes, demand continues to outstrip supply, and we have been required to adopt a more selective system to determine which causes are, in our view, the most deserving, which is no easy task. Nevertheless, we believe we have an overall social responsibility to all sectors of the community which cannot be underestimated.

Personnel

The brochure on our staff policies which accompanied these statements last year has drawn widespread favourable comment from sources both within the Republic and abroad. These policies are continuously reviewed and updated where necessary. For example, the promulgation of the regulations governing the granting of a right of leasehold has placed us in a position to extend our housing loan scheme to all Group employees. This has been particularly satisfying and has, I believe, further entrenched the Group's leading position as an equal opportunity employer.

Future prospects

Stanbic's principal objective is to continue to be a leading South African banking group, as measured in terms of return on shareholders' funds, while at least maintaining our market share. The current year holds considerable promise, due particularly to the following factors:
- accelerating growth in demand for advances

Economic review

As far as 1980 is concerned, the authorities are well placed to give substance to expectations which prevailed at the start of the year. The Budget which will be announced shortly before the publication of this review will undoubtedly aim at a further acceleration of growth. The modest overall outcome in 1979, with an associated decline in the volume of imports and further growth in exports, strongly supported by movements in the gold price, have fortified the country's balance of payments beyond the most optimistic hopes of a year ago. A further current account surplus in 1980, with the implicit accrual of capital account advantages for the years to come, is now in prospect. Surging gold mine taxes have also been a principal factor behind the continued consolidation of government finances.

In the circumstances, the problem is not the achievement of accelerated expansion in 1980 but rather the need to ensure that the nature and extent of this expansion is such that it does not detract from growth prospects in the decade ahead. The challenges are, of course, very welcome.

Domestically, the problem of inflation has become paramount. So far, it has remained essentially cost-push in nature, stemming from the explosion in crude oil prices, but with the surge in export earnings and the consequent imbalance between our financial and physical resources it could become accentuated to an even greater degree. An acute shortage of skills is already apparent. Other bottlenecks will, as always, emerge as the upswing progresses, notwithstanding the enormous potential for demand to be met in the form of imports. Capacity utilisation is rising, bringing closer the need for widespread fixed investment in industry and simultaneously enhancing job opportunities and accelerating utilisation of the country's manpower and financial resources. Skilled management is required to prevent the dissipation of these financial resources which have been built up since 1975, assiduously and with sacrifice on the one hand and providentially supplemented by the recent escalation in prices of precious metals on the other. This has to be achieved within a persistently uncertain international economic environment.

Salient features

	1979	1978	1977
Ordinary shareholders' funds — R000's	392 221	336 979	299 096
*Total assets — R000's	857 059	673 030	434 605
Turnover — R000's	736 364	490 677	327 346
Net earnings — R000's	85 530	52 409	37 991
Dividends — R000's	28 280	21 489	18 804
Earnings per share — cents	317,2	195,1	141,4
Dividends per share — cents	105,0	80,0	70,0
Dividend payout — per cent	33,1	41,0	49,5
Number of shares in issue — 000's	26 965	26 862	26 862
Number of employees	34 000	30 700	30 500

**Investments at market or directors' valuation*

Labour and productivity

There can be no doubt that the effective use of our manpower is at the core of the challenge and it is telling that a country with an enormous labour surplus is once again facing an acute skills shortage. Blame for the evident lack of self-sufficiency in this crucial area, with the country having rightly given such urgent attention to others, must lie with the private sector as well as government. An understanding and acceptance of the basic tenets of a market economy, which works ultimately to the advantage of all, has some chance of emerging only if the political and business environment is demonstrably one which provides full and fair opportunities to all, without discrimination. This applies no less in times of abundance, particularly when, in the eyes of some, it must seem to be accruing only in certain areas.

The changes in government policy introduced in the light of the Wiehahn and Riekert reports are most welcome. The creation of a unitary and non-racial industrial relations system is an urgent priority for the South African economy and the extension of registered trade union rights to all but temporary foreign employees is an important step in this direction. However now that black, as well as white, coloured and Asian workers can participate in registered trade unions the next challenge to be met is that of avoiding racial polarisation in the trade union movement.

In this regard it is to be regretted that the government preference for racially separate unions was maintained in the Industrial Conciliation Amendment Act promulgated last year, in contrast to the Wiehahn recommendation that workers should be free to decide to join separate or mixed unions. The exemptions granted to several unions early this year to become racially mixed are welcome. However, it would be more desirable if the principle of freedom of choice were incorporated in the law itself, rather than be achieved by means of ministerial exception.

Since the early sixties South Africa has experienced acute shortages of skilled workers. The creation of a collective bargaining system which includes workers of all races and will facilitate the opening of skilled jobs to blacks can ameliorate the position which becomes critical in times of economic expansion. The most common response of employers to the skills shortages in the past, buttressed as they were by statutory job reservation, was to seek to fragment jobs. This policy cannot be in the national interest in the long term and it is up to employers to facilitate the creation of a larger pool of skilled workers by promoting the training of operators, artisans and technicians. The brutal fact is that, unless South Africa can train and improve its total labour force to an efficiency and effectiveness at least equal to that of its competitors, it will lose out to competition, particularly from the East, in many fields. An understandable fear on the part of white workers and unions representing them, is that they will be replaced with cheaper black labour. Such a development would not be in the medium or long term interests of either the employer or employee, white or black.

The newly-created Industrial Court has the task of seeing that the principle of 'equal pay for work of equal value' is upheld in all cases. Employers can assist the process of broadening South Africa's skilled worker base by ensuring that where blacks are advanced, this is done on the basis of non-racial standards and conditions of employment in all respects.

The government initiatives have raised expectations, and the recent build-up of resources to give full effect to present plans and promises is a matter which has received widespread publicity and served to fuel these expectations. In every respect, it is a propitious time for appropriate action to ensure that the country can look not only to a cyclical upswing, which is reasonably assured, but also to a period of prolonged growth.

Outlook for 1980

Despite the constraints outlined above and the changing political influences in southern Africa, the economic prospects for 1980 are generally favourable. The Amic group is budgeting for further growth and for a satisfactory increase in earnings, although this increase is unlikely to match that achieved during 1979.

March 21 1980

The annual report and chairman's review may be obtained from Consolidated Share Registrars Limited, 62 Marshall Street, Johannesburg, 2001. The annual general meeting of members will be held at 44 Main Street, Johannesburg, on Tuesday April 22 at 12h00.

FM 4/4/80 (58)

STANBIC

Revealing more

Activities: *SA's second largest banking group. Subsidiaries are Standard Bank, Stannic, Standard Merchant Bank, Standard and Stancor, Standard Chartered (UK) owns 59,5% of the equity.*
Chairman: *I Mackenzie; managing director: H P de Villiers.*
Capital structure: *59,7m ordinaries of R1; 8m 6,5% cum prefs of R1. Market capitalisation: R355,2m.*
Financial: *Year to December 31 1979. Shareholders' funds: R280,5m. Capital commitments: R11,9m.*
Share market: *Price: 595c (1979-80: high, 730c; low, 475c; trading volume last quarter, 185 000 shares). Yields: 14,5% on earnings; 5,4% on dividend. Cover: 2,4. PE ratio: 6,9.*

	†'76	*'77	†'78	'79
Deposits (Rm)	2 898	3 311	3 975	4 565
Advances (Rm)	1 942	2 265	2 709	3 110
Guarantees & acceptances (Rm)	1 053	1 088	1 635	2 486
Shareholders funds (Rm)	184	201	243	251
Earnings (c)	41	59	51	86
Dividends (c)	22.5	28	24	36
Net asset value (c)	351	371	416	470

† Nine months to end-December
* 12 months to end-March

In line with the trend of the economy, the Standard Bank group profit was lifted largely by consumer credit demand in the year to end-December. And though commercial banking still contributes the largest share of group profit, the burgeoning consumer demand for finance is again likely to provide the bulk of growth in 1980.

In the past year, Stanbic took the lead by disclosing the transfers to bad debts provisions — an issue which has long been a subject of conjecture where major banks are concerned. MD Henri de Villiers feels that Stanbic is unlikely to go much further in disclosure at present. In the recent Barclays Bank annual report, MD Bob Aldworth said Barclays would refrain from disclosing its transfers until consensus was reached.

In the event, the charge to the doubtful debts provision for the year to end-December, amounted to R34,8m (R18,5m). This 88,6% increase arose largely from the consumer credit division, says chairman Ian Mackenzie. The Standardcard and Stannic/Stancor operations felt the weight of accelerating consumer demand and so the specific bad debt position has been altered to make provision for possible losses. However, the actual write-off is not made against the provision until there is no hope of recovering the debt. This could mean the figure remaining in the books for many years, hence the high R80,1m (R75,6m) balance.

The growth in consumer demand is reflected in the comparative return figures in the group's divisions. Overall, the group returned 17,6% on equity compared with 16,4% in 1978 and a stated objective of 16% given current banking conditions.

In 1979, commercial banking earned R26,3m after tax compared with R18,2m for the previous nine months. The bank's return on equity was 14,7% against an annualised 15,6%. However, the 1979 figure was reduced from 15,1% following a change in accounting policy regarding transfers from the tax equalisation reserve. The falling percentage contribution of banking activities to the group total arises from slack demand for conventional credit and low foreign exchange earnings in a highly competitive market. However, the credit card operation is expanding fast, with presumably some growth in market share.

Henri de Villiers . . . letting more out

In line with other banks, Standard reports a gap between the cost of overdraft money and that of financing through the money market. This could mean, if the authorities do not act on bank rate, that the trend away from traditional finance will continue, resulting in smaller interest margins for the banks.

Stannic, on the other hand, reported a return on equity of 24,9% (22,8% annualised) as net profit rose to R15,9m (R8,1m for nine months) despite higher bad debt experience. The incidence of bad debts was severe in the consumer and small business sector in line with the previous four years of recession and lower real disposable incomes. The outlook for 1980 is better, and De Villiers foresees an easing of Stannic's bad debt position.

In the field of leasing, Stannic probably gained some market share, but, in the HP market, stiffer competition is being experienced. Substantial growth is foreseen for Stannic in 1980 though it is possible that consumer demand for credit could begin to tail off towards mid-year, says De Villiers, as buyers seek to put their debt positions in order.

Standard Bank Factors, taken over from January 1980, reported a loss in 1979 as a result of a R3m bad debt on the Otto Landsberg company. Included in Stannic results is the contribution from Stancor, previously UDC Bank.

Standard Merchant Bank returned 16,8% on equity (14,9% annualised) as all divisions improved their contributions to total profit. The bank benefited from a continued decrease in the cost of funds and a 74% increase in acceptance credit facilities. Additionally, the corporate finance division enjoyed a good year along with the stock market, as did the investment section.

This year, growth will depend again on the consumer divisions with a decline in bad debt experience. However, until some action is taken on the bank rate the trend away from traditional financing could continue. Aside from this, Mackenzie expects the return on equity this year will be about the same as in 1979 as he anticipates GDP growth of 5% or more. This is with the proviso that the bank is not "artificially" restrained by official measures such as credit ceilings. Last week's moves by the Reserve Bank are unlikely to assist the banks much.

At 595c to yield an historic 6,1%, Stanbic offers one of the highest returns in the banking sector (Barclays is on a 5% yield and Volkskas on 4,9%). This probably reflects the increasing dividend cover as management moves towards a target of three times. Last year's 36c payment was covered 2,4 times (2,1). In view of the higher return on equity and the outlook for the current year, as well as the move towards fuller disclosure, it appears time for a market re-rating in line with the other majors.

Des Kilalea

Stanbic Group profits rise

Ian Mackenzie says current year holds considerable promise

Chairman's Statement

The results presented in the financial statements cover the first full year of trading since the Corporation changed its year end to December 31. The figures for the nine month period ended December 31 1978 have been annualised for comparative purposes and used as such in this statement.

Financial results

Against an economic background which improved progressively during the year, Group distributable profits rose from R39,7 million to R49,3 million, representing an increase of 24,2%. As a consequence the return on shareholders' funds rose from 16,36% to 17,56%. Earnings per share were 82 cents and a final dividend of 25c has been declared, making a distribution of 36c for the year, covered 2,3 times, compared with 2,1 for 1978. This conforms with our policy announced last year to increase gradually the dividend cover to three times, to provide for the Group's growing capital requirements under inflationary conditions and in the face of inflexible legally fixed capital ratios.

This year the Group is breaking new ground in South African financial reporting by banks. The accompanying notes to the balance sheet contain details of the extent of, and movement in, the Group's loan loss provisions. In my last report I expressed satisfaction with the trend in loan losses and listed steps taken to improve matters still further. Generally that trend has continued, but net new specific provisions have nevertheless been increased by R16,3 million, the comparative provision being for the shorter financial period. The balance is due to two main factors. Firstly, while lending demand in the business sector has been slack, the Group has increased substantially its advances to the private consumer, through inter alia the medium of the credit card and hire purchase finance, both higher risk areas. Based on previous experience in similar economic climates, it has been considered prudent to provide at an early stage for possible bad debts in this type of business. Secondly in the case of a few material accounts, it was considered prudent to set aside additional sums for contingencies. R3 million was provided by Standard Bank Factors Limited on its exposure to Otto Landsberg (Pty) Limited on its liquidation.

Economic climate

The past year saw a noticeable improvement in the general economic climate. At a time when the world was badly affected by the shocks of a new oil crisis and a major setback for world growth appeared inevitable, South Africa was able to continue building up an enviable growth base. The country's gross domestic product in 1979 is likely to have increased by some 3,5 per cent in real terms and an acceleration in the annual growth to 5 per cent or more in 1980 appears to be within reach.

A major feature of the economy in the past year has been the extremely positive performance of the current account of the balance of payments, due in a large measure to a spectacular increase in the price of gold. Rather than coming under pressure from accelerating imports, as has traditionally been the case in South Africa during recovery periods, the country's current surplus continued to increase during the year. The total surplus for 1979 is likely to have reached some R3 400 million, more than double the previous record amount achieved in 1978. Partly as a result of this and of an increasing valuation of gold holdings, the country's gold and foreign exchange reserves reached the record level of some R1 100 million at the end of 1979.

The strong position of the current account enabled the Treasury to make substantial repayment of long and short term foreign loans. Furthermore, the impact on internal liquidity led to a marked drop in domestic interest rates at a time when foreign interest rates were rising strongly. As a result a major portion of import and export finance has been switched from foreign to domestic sources.

Banking climate

Liquidity in the banking sector rose strongly in 1979, partly because of relatively slack demand for bank credit from commercial sources. The advances and discounts of commercial banks excluding those to the Land Bank increased by only 10,4 per cent over the year. Consumer credit expanded more vigorously.

Both the official bank rate and prime overdraft rates charged by commercial banks were dropped in three stages over the year, by a total of 1,5 per cent. However, money market interest rates fell by a much larger percentage. The rate on 90 day NCDs, for example, which began the year under review at over 8 per cent, had fallen to almost 4 per cent by mid November, before rising to 4,75 per cent in December for temporary seasonal reasons. As a result of the Reserve Bank's reluctance to reduce the bank rate significantly during the year, the gap which has emerged between the cost of overdrafts and that of financing through money market instruments has encouraged borrowers to move away from traditional methods of finance.

If circumstances do not change, this gap between lending and deposit rates, which is advantageous to depositors in the short term, will in time lead to a progressive decline in the demand for overdraft finance, resulting in smaller interest margins for the banks.

The publication of the interim findings of the De Kock Commission on exchange rate policy and the acceptance in principle of its recommendations as well as their partial implementation are of great significance. Although the incomplete implementation of the Commission's recommendations placed severe pressure on the banks' profitability in foreign exchange transactions, the acceptance of the report points to positive movements in official attitudes towards less direct controls over the banking system and greater emphasis on the market mechanism.

In the last three years an inter bank committee has attempted to reach agreement on the implementation of a new system of charging for current accounts of personal and corporate clients. Consensus was reached amongst the banks, but the Registrar of Financial Institutions has asked for reconsideration of the pricing formula to be made and it is unlikely that any change can now be made until later this year.

Social and political climate

Settled conditions were experienced in the last year, which I hope will continue to generate confidence in South Africa and lead towards further foreign investment in the Republic. Of similar importance, has been the positive attempt by Government to involve the business community in areas traditionally reserved to the public sector, which led to a conference at which top businessmen met with government leaders to exchange views and determine areas of common interest. Taken against the background of reports from the De Kock, Riekert and Wiehahn Commissions, this was an encouraging trend. But the momentum of structural reforms must be maintained, if real progress is to be made and accepted within the local and international communities. Government spending has, I think, been well controlled although it continues to spend heavily in strategic areas such as Sasol, which I believe to be vital to the country's future, particularly in a situation where South Africa is enjoying a buoyant economy.

Events are moving quickly in South Africa and we must adjust pace to keep ahead of confrontation. The outcome of the elections in Zimbabwe should not be lost upon us. Namibia too is undergoing considerable change and we cannot ignore the lessons being learned in these two countries.

We must be seen to make changes. Fortunately there are visible signs that these are coming about as a product of a genuine desire to enhance the position of the less privileged groups in South Africa, rather than as a reaction to increased international pressure to do so.

Community Involvement

The Group provided a further R[illegible]00 000 of its R1 million commitment to the Urban Foundation. All universities in South Africa received donations and five projects were selected for special support.

The Group sponsored an international tennis test between Spain and South Africa for the Standard Bank Cup and another international will be played in 1980. Junior squash benefited from a sponsorship designed to improve standards among younger players. Stanbic sponsored a Mini-yacht race in Cape Town for the Stanbic Admiral's Trophy. In the cultural field the Group continued its support for the Foundation of African Tribal Art housed at the University of the Witwatersrand.

While the Group was able to donate a considerable amount to a variety of worthy causes, demand continues to outstrip supply, and we have been required to adopt a more selective system to determine which causes are in our view the most deserving, which is no easy task. Nevertheless, we believe we have an overall social responsibility to all sectors of the community which cannot be underestimated.

Personnel

The brochure on our staff policies which accompanied these statements last year has drawn wide spread favourable comment from sources both within the Republic and abroad. These policies are continuously reviewed and updated where necessary. For example, the promulgation of the regulations governing the granting of a right of leasehold has placed us in a position to extend our housing loan scheme to all Group employees. This has been particularly satisfying and has, I believe, further entrenched the Group's leading position as an equal opportunity employer.

Future prospects

Stanbic's principal objective is to continue to be a leading South African banking group, as measured in terms of return on shareholders' funds, while at least maintaining our market share. The current year holds considerable promise, due particularly to the following factors – accelerating growth in demand for advances

[illegible] especially towards the latter part of the year
- continuation of the high liquidity levels experienced in 1979 and a continued [illegible] expansion of consumer credit
- greater business activity in general

Provided that growth of the Group is not severely constrained by official regulatory measures such as credit ceilings, these factors, together with continued priority being given to the holding of costs in the face of inflationary pressure, should allow us to maintain return on shareholders' funds at current levels.

Stanbic's infrastructure will continue to be developed during the year, one of the most noteworthy items will be the completion of the linking of the regional computer centres by December 31 1980. This will provide on-line facilities to all major [illegible] in South Africa and enable the Group to operate more efficiently. Another is the construction of our new administration building which is scheduled for completion in 1982 at a cost of over R [illegible] million.

As far as the national economy is concerned, internal business and consumer confidence has increased rapidly since mid 1979 because of the economy's apparent resilience to energy problems, and the visible positive effects on external and internal liquidity of the growing balance of payments surplus and rising gold and foreign exchange reserves. In addition factors such as pent-up consumer and inventory demand, prospects for good agricultural crops, the distinct possibility of some stimulative tax cuts and other positive fiscal action in March, and the confidence engendered by the new and invigorating approach to the country's social and political problems, make it likely that the economy will move rapidly towards boom conditions in 1980.

Directorate

Mr M A du Plessis, who had previously served on the SBSA board, and Mr D Gordon were appointed to the Stanbic board during the year. Professor J A Lombard joined the SBSA board and Mr A R Evans was appointed to the SBSA Central regional board. Mr C McCulloch, deputy managing director of Standard Chartered Bank Limited, replaced Mr A I Robertson as an alternate director on both the Stanbic and SBSA boards, upon the latter's retirement. Messrs S K Anderson, D A Hobson and G N Orsmond were appointed to the newly established Eastern Cape regional board. Mr W A M Clewlow was appointed to the Stannic board.

I welcome these appointments.

Stannic suffered a sad loss through the untimely death of Mr D C Irish. Mr L Donnelly retired as a director after 22 years on the Stannic board. Mr R G Ross retired from the Central regional board. The wise counsel of these gentlemen will be greatly missed. Mr Toft, who has served as a director of SBSA and as the board's Eastern Cape representative, will retire on April 29 having reached the retiring age for regional directors. I thank him for his contribution which has been invaluable and also for his assistance in establishing the Eastern Cape regional board on January 1 1980.

Senior Management

The Management structure of the group was changed substantially during the year, with a view to providing more efficient and effective management, and this involved changes in the responsibilities of a number of our senior executives. There were, however, several new appointments [illegible] Mr [illegible] [illegible] assistant general manager [illegible] Mr C H Blaylock [illegible] director of Standard [illegible] Limited. Mr [illegible] Mr N D Edwards and Mr P J [illegible] assistant general managers in Stannic and Mr D L Wedel, general manager of Standard Bank Factors Limited, in place of Mr G A Dingley who has moved to SBSA.

New appointments in SMB were Mr P C Prinsloo, associate director, Mr E G Krige, general manager and Mr G C Bell and Mr A M Cloete, assistant general managers.

Mr [illegible] general manager in the Eastern Cape, retired after 43 years of service and I thank him for his valuable contribution.

The sudden death of Mr [illegible] [illegible] general manager in Cape Town came as a shock to us all.

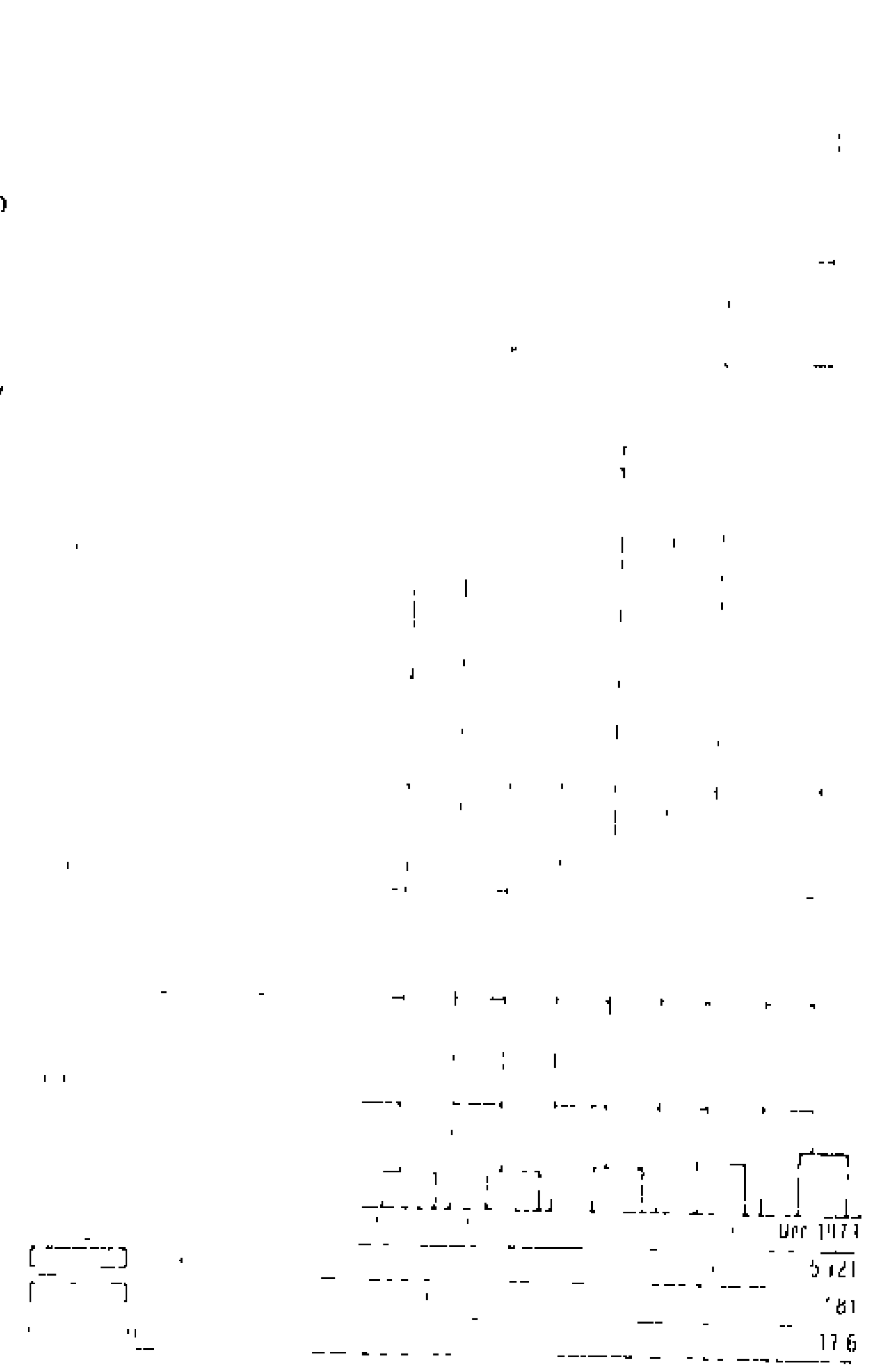
Appreciation

I should like to thank my deputy, Mr W J Passmore, and the members of the boards and regional boards for their support and help during the year. To our group managing director, Mr H P de Villiers, his executive and staff in the various companies, I extend my appreciation of their efforts and my congratulations on a highly successful year.

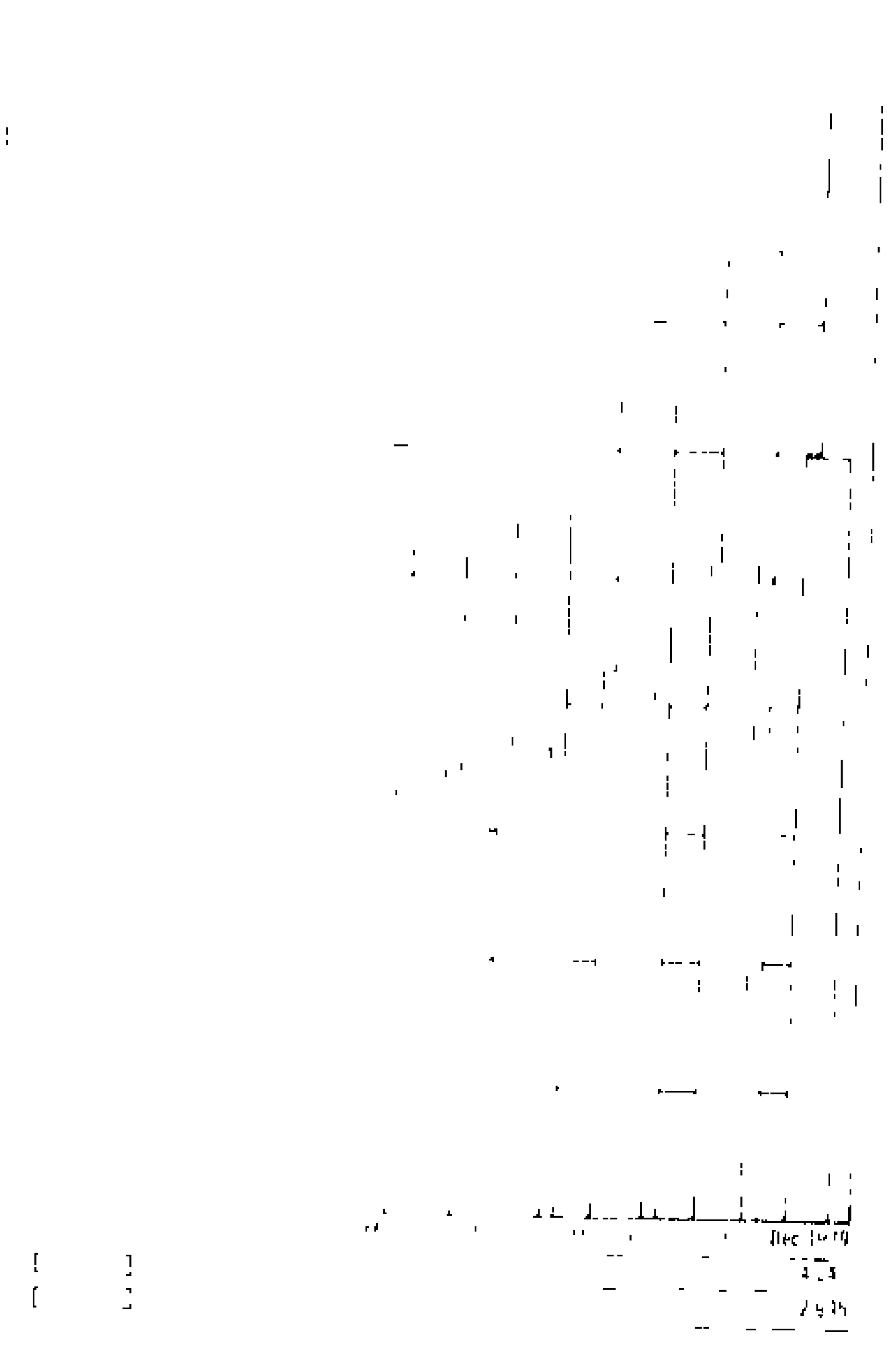
Ian Mackenzie
March 4, 1980

Five year financial summary

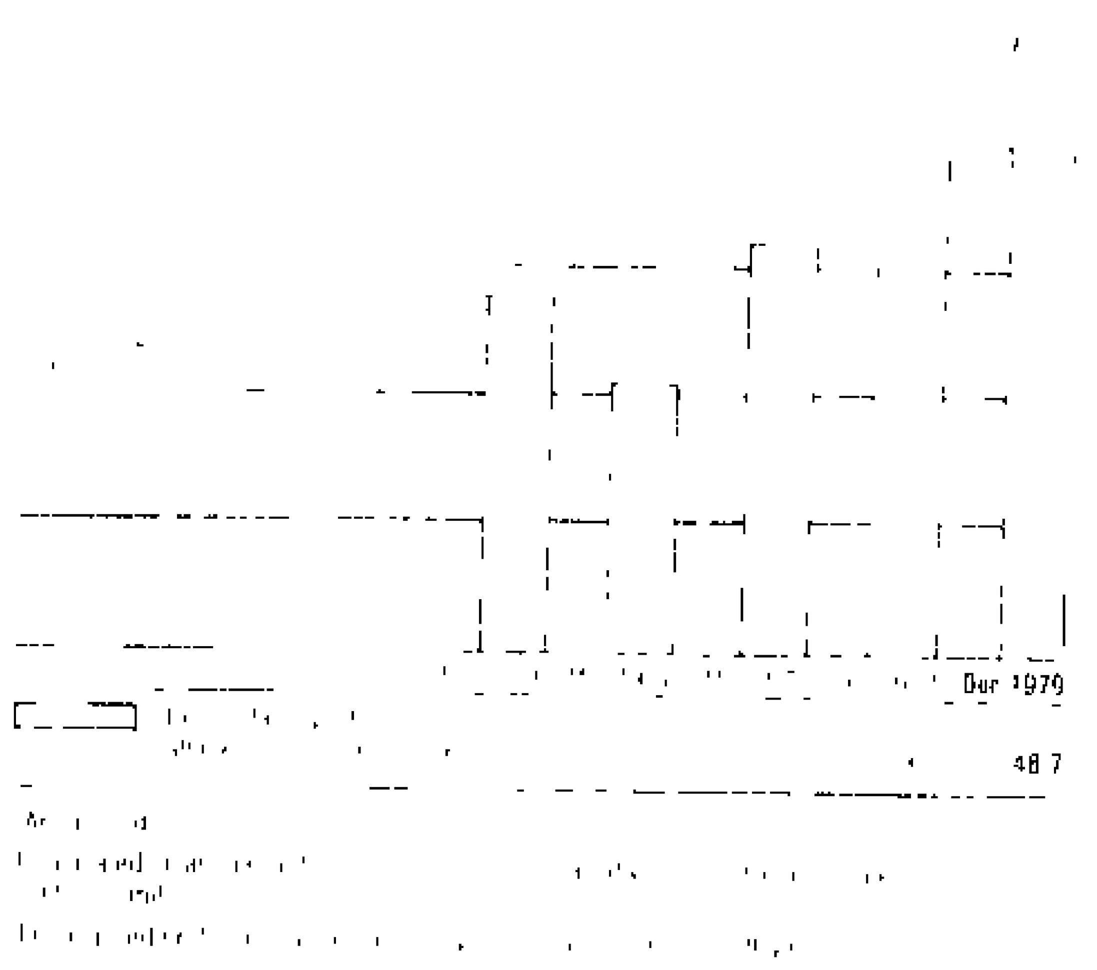
Total assets and shareholders' funds



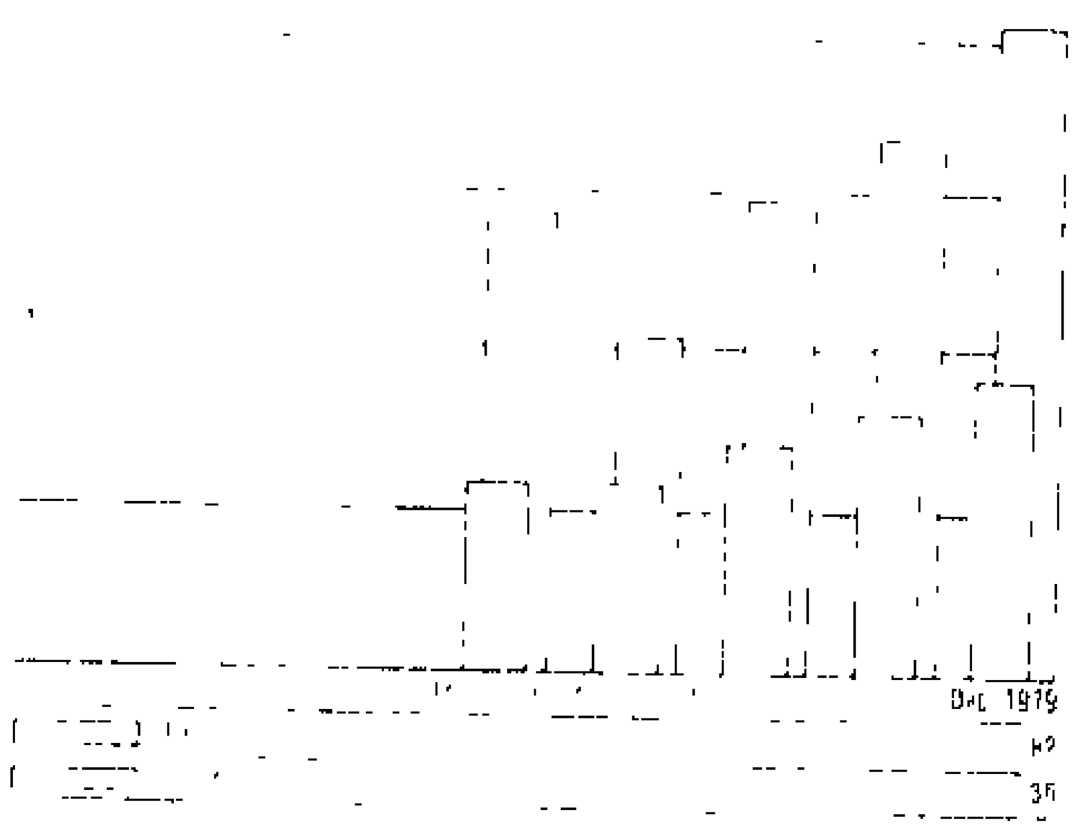
Deposits and advances



Distributable profits after preference dividends



Earnings per share and dividends per share



Standard Bank

Standard Bank Investment Corporation Limited

(Incorporated in the Republic of South Africa)

Some uncertainty in capital market

(58)

C.T. 9/4/80

— Standard Bank

JOHANNESBURG. — The Standard Bank of South Africa said there was some uncertainty in the capital markets at present because of the pending open market sale of the newly introduced Reserve Bank debentures.

The bank said in its April review, however, that the Reserve Bank was unlikely to conduct such sales before the Escom and RSA stock issues were completed, and while the present money market tightness persisted.

These debentures were likely to find their way into the market within the next three months and could become a popular investment medium in the market.

April could be a demanding month for the public sector primary market, with the Treasury and Escom both looking for funds, as well as a number of smaller borrowers.

Although R337m of RSA stocks fall due for redemption on April 15, and the Treasury have issued notice that it will be coming to the market with a three-year loan and a long dated loan, the rates on these loans are not yet known, and similarly it is uncertain how much the Treasury will borrow.

The uncertainty surrounding the rates on the forthcoming RSA issues placed Escom in an uncomfortable position.

Escom would be seeking R85m. Together with the R85m it was scheduled to raise in September, these were the largest single loans scheduled for the year. Underwriting started on March 31, and the rates decded on, 9,39 percent all-in for the 25-year stock and 8,53 percent all-in for the 10-year stock, were possibly a little fine in view of the pending RSA issue. (Escom has since postponed its issue).

Also due in the market in April were the IDC for R10m, the Umgeni Water Board for R5m and George for R25m during the first half of the month, and Ukor for R25m, Klerksdorp for R3,5m, and the Vaal Water Board for R1,3m during the second half of the month.

Commenting on the money market the bank said market conditions should ease in April due to a higher level of government spending and a seasonally low tax burden, and interest rates might well be lower at the end of April than at present.

Provided commercial banks' lending ceilings were removed they should be able to accommodate growth in demand for commercial credit as a result of the new monetary policy.

The provision of adequate finance to the private sector would be facilitated by the conservative financing methods adopted by the Treasury to avoid "crowding out" the private sector.

In due course rising demand for finance as real growth increases would lead to an upward adjustment of interest rates but given prospects of a continued strong balance of payments position the extent of such a rise this year was likely to be limited.

The bank said since this year's government borrowing requirement was not particularly large and the liquidity "overhang" in the economy was considerable, it should have few problems completing this without undue pressure on money and capital markets, and without "crowding out" the private sector.

However, the combination of government borrowing, private sector expansions and more active Reserve Bank market participation which was expected to start issuing its own debentures soon, probably carrying maturities of up to four years, could result in some upward movement in interest rates later in the year.

This would be in line with the monetary authorities' desire to bring about domestic interest rate levels that were less out of line with those ruling abroad, and current inflation levels. — Reuter

In die 1977 Begroting was 'n besonder vindingryke beginsel vervat deur die instelling van bo-belasting op invoere nl. "belas die (destydse) probleem." Omgekeerd sou die gepaste benadering wees om die oplossing te beloon en derhalwe kan dit wenslik wees om belastingverligting in 'n bepaalde vorm te bedink wat gebaseer is op bruto omset uit uitvoere afkomstig d.w.s. benewens die bestaande toelaes m.b.t. uitgawes vir uitvoerbevordering.

(1) Uitvoerverwerkingsgebiede (U V G)

Die BEO wil die oortuigde standpunt nou reeds stel dat die McCarthy verslag in Bylaag 5 oor die aangeleentheid, wel stof tot ernstige nadenke vir die Wes-Kaap inhou, hoewel die ondersoeker self nie besonder ...

geval wat reeds op 'n platteland dorp gevestig is

Prudential's double bonanza

C.T. 9/4/80

PRUDENTIAL ASSURANCE has followed its 73 percent new business increase in 1979 with a double bonanza for policy-holders. Bonuses have been raised to record levels while premium rates have been reduced for new whole-life contracts.

The company's with-profit policholders are entitled to a minimum of 90 percent of the company's surplus and this year their share is once again slightly more than 93 percent.

The surplus distributed to policy-holders amounts to almost R17m — an increase of 21 percent on the previous year.

The new rates apply to vesting reversionary bonuses for all classes of individual with-profit policies. Terminal bonuses will also increase as these are expressed as a percentage of accrued reversionary bonuses.

Group pension schemes also receive a big boost, with the overall interest rate on deposit administration schemes raised to 11,8 percent after deduction of all investment charges.

The reduced premium rates apply to new whole life contracts with immediate effect.

This is the 16th successive year that Prudential has increased bonuses, but director and general manager, Mr John Ellingham, warns of the steady slide in long-term interest rates and emphasizes that the maintenance of bonus rates is conditional on the continued achievement of a high return on investments.

"Bonus rates to be declared in the future cannot be guaranteed as these must depend on future investment returns. Any illustration of benefits payable in the distant future can never be more than an indication of the possible level of such benefits," he said.

The combined effects of the bonus increases in recent years and the new reduced premium rates are demonstrated by comparing past performance with current projections. For example, a man aged 30 who took out a whole life policy in 1950 for an annual premium of R500 would have been covered for R25 917. If he were to die in 1980, his cover would have grown to R62 670.

A man of the same age affecting the same policy in 1980 would have initial cover of R29 017. Assuming current bonus rates stay constant, a sum of R100 007 will be paid on his death in the year 2010.

The Prudential's investment performance is underlined in net yields achieved by the company's Probond linked fund since its introduction in 1974.

For the six years to the end of December 1979, Probond retirement annuity fund members have enjoyed an annual compound yield of 20,8 percent while the after-tax yield for other Probond policy-holders is no less than 23,8 percent a year.

A single premium of R100 000 paid into the Prubond taxed fund in January 1974 would have grown to R246 634 after six years after all expenses charges and tax, representing a net yield of 16,2 percent per annum on the gross investemnt.

This is considerably more than the inflation rate over the period, and achieved yields for Prubond policies for shorter periods are even greater due to bouyant market conditions in recent years.

Van die substre ... ënvalseisoen
maar by verre n ... e.

Topografiese kc ... lings met
gevolglike vinr ... erkte
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met die afgele ... e streek,
lei tot hoë ka ... Kaapse
watervoorsieni

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selfsprekend r ... drakoste nie,
maar kon lei t ... de en gevolglike
benadeling va

Die georganise ... owerheidsinstan-
sies het reed ... in dié verband
laat blyk.

Non-racial basis for insurance

C.T. 9/4/80 (58)

OLD MUTUAL has taken the lead amoung the larger South African insurers by eliminating racial differentiation in life insurance.

The Mutual has introduced an altogether non-racial basis for determining the medical evidence required for the assessment of applications for life insurance.

This step, together with the completely undifferentiated premium rates that were first introduced in 1976, completes their efforts to remove race as a criterion for determining the conditions under which a policy will be issued.

In outlining the evolution of this strategy, Mr Theo Hartwig, assistant general manager of Old Mutual, explained how in 1976 Old Mutual took the then innovative step of removing all racial loadings from its premium rates.

However, in common with other insurers, it retained a basis for determining the type of medical evidence required, which depended on race.

Because of its commitment to provide insurance to all sectors of the population, Old Mutual has for some time been seeking an opportune moment to relax these differentiated requirements.

This step has been made possible by the rising standard of living of all people in most southern African territories. This is reflected in improved mortality rates and a lower incidence of some diseases.

Any person with either a matriculation certificate or a regular income exceeding R500 per month will from now on be able to apply for insurance without a medical examination on the scale hitherto used for whites only.

This allows persons up to 35, irrespective of population group, to apply for R75 000 worth of insurance without a medical examination, for R50 000 between ages 36-40 and for R25 000 between 41-50.

Mr Hartwig said that this change once again highlighted Old Mutual's determination to maintain its proud reputation, both for integrity and for providing top value for money in all sections of the market it serves.

The change announced now means that Old Mutual's products are available on terms which are totally free of racial differentiation in any form.

The new measures have been adopted in respect of the entire South African currency area and Zimbabwe. This means that the revised limits will apply in areas such as the Transkei, Bopthuthatswana and Venda that are closely interrelated with SA.

'n Eenheid vir Potensiaal-Ondersoek kan met voordeel daarop ingaan of daar aanvullend by die uitstekende taakvervulling deur die Departement van Waterwese, rasionalisasie-moontlikhede veral van verantwoordelikhede en beheer bestaan; hier word besonderlik gedink aan koste van kapitaal, die toegedeelde drakoste gekapitaliseer asook geabsorbeer in die bedryfskoste en gevolglik gereflekteer in die relatiewe hoë tariewe.

Terwyl water 'n potensiële goedkoop bron vir energievoorsiening is, is dit nouliks denkbaar dat die Wes-Kaapse waterbronne uitgesluit kon wees by 'n nasionale energieprogram.

Die voorstel is dus dat t.a.v. Wes-Kaapse watervoorsiening, 'n Eenheid vir Potensiaal-Ondersoek, hoofsaaklik in oorleg met die Departement van Waterwese, by wyse van totaliteitsbenadering, 'n evaluering onderneem van waterbehoeftes, beskikbaarheid, voorsiening, finansiering, koste, beplanning- en administratiewe gesagstrukture asmede sektorale prioriteite t.a.v. gebruiksreg insluitende subsidiêre aanwendingsmoontlikhede soos energieverwekking.

R33-m city hotel, office block announced

10/4/80 (53) Argus

The Allied Building Society and the Southern Suns hotel group have announced that they are to co-operate on a R33-million joint re-development of one of Cape Town's prestige central city blocks.

The block, bounded by St George's, Strand, Burg and Castle Streets, has been partly leased to Southern Suns, the 65-year lease covering that portion of the block previously expropriated by Cape Town City Council, with the Allied retaining their own site on the corner of St George's and Castle Streets, on a freehold basis.

Southern Suns will hold a R30-million hotel complex of five-star rating with 350 bedrooms, which will relieve some of the pressure on the present Cape hotel squeeze caused by the unprecedented influx of foreign tourists.

The hotel will offer conference and banqueting facilities equal to international standards.

OFFICE BLOCK

The Allied will build a R3-m office block on its site to replace its present building, put up about 25 years ago.

Although the buildings will be constructed seperately, they will be joined by a glass-enclosed atrium, embodying shopping and pedestrian malls.

Close architectural contact will be maintained on the two buildings to ensure harmony in design and construction.

RSA rates welcomed by capital market

58

CT 10/4/80.

BY PAUL DOLD
Financial Editor

THE two new Government stocks have been pitched at realistic levels but will undoubtedly lead to a hardening of both long and short-term rates.

The coupons have been widely welcomed: the rates are indicative of the authorities taking a highly market related view and they will end the great uncertainty which has permeated the market since the Escom secondary market rates moved against the proposed issue levels leading to a postponement.

Escom originally pitched its rates at 9,39 percent for a 22-year stock and 8,53 for the 10-year. The new rates, which are likely to be announced next week, will be pitched a few points above these levels and a rate of around 9,44 is possible, although it could be both above or slightly below this point.

Escom's rates will also give a definite lead to the market. While attention in the RSA issue will be focussed on the long stock at 9,25 percent the short is equally interesting in that it has been pitched several points above existing levels.

This partly reflects the relaxation of liquid asset requirements announced by the Reserve Bank governor before the Budget but also suggests that short-term rates could move up in coming weeks. The bill rate has was raised a few points on Friday. Tenders have been low, however.

The money market remains tight and although the shortage which peaked at some R600m at the beginning of this month has eased, an estimated R200m is still outstanding.

This indicates a continued high level of offshore rand financing, particularly certain stockpiling, and possibly a sign that the velocity of the gold recipts has slowed following the earlier fall in the gold price. April is normally once of the most liquid months so the situation is unusual indeed.

There is fairlay active trade in promissory notes which are offering a slightly higher yield than NCDs. The differential could widen however as rates advance.

Overall, dealers believe rates could move either way and sound arguments are being advanced to support theories but no doubt the gold price will be the key determinant.

It is notable that the Reserve Bank has not yet issued any of the new debentures, possibly due to the tight seasonal liquidity but these could emerge after the Escom issue.

Over coming weeks there should be plenty of trading opportunities as rates move up and down. Institutional cash flow is building up fast and with an estimated R2-billion-plus to invest overall the market will be active. Whether the much talked about paper shortage occurs remains to be seen.

Some institutions will no doubt be channeling funds into short-term deposits and there has been a marked reluctance to some of the recent rates on long-term stock which are indeed low compared with a 14 percent-plus inflation rate.

In the capital market the R5m Umgeni issue is being placed privately at 9,65 percent for 20 years by UAL — Senbank.

One of the more interesting issues which is looming is Ukor's R25m private placing. Ukor is destined to become a very large borrower and play a significant role in the market over the next few years.

The stock should thus have a high rating and Senbank is expected to announce the rate within the next fortnight.

Premium war a worry

(232) (58) (DN 11/4/80)

Financial Reporter

Alexander Howden Group (South Africa) expects productivity and growth to increase in 1980, says the chairman, Mr Monty Schapiro, in the annual report.

The group will benefit from the acquisition of Nathan Lazarus as well as from rationalisation and reorganisation.

There is evidence that productivity measured as a ratio of turnover to number of staff has risen and the trend will continue.

Mr Schapiro expects further growth from African Pension Trustees, the employee benefit and financial consultancy division, and from Africover started in late 1979 for the black community. Africover has reached profitability much sooner than was expected.

Mr Schapiro says his optimism for 1980 is tempered by problems facing the group and all other insurance broking companies because of the premium rate war in the short-term insurance industry. Because of this problem, he is unwilling to predict group earnings for 1980.

Retco cuts interim

58 ED 1/4/80

By HOWARD PREECE

RETCO, the property group, had a decline in net attributable profit to R1 531 000 in the year to February 29 compared with R2 334 000 in the previous year. The dividend has been reduced from 3c to 2c.

Earnings a share dipped from 3,58c to 2,35c.

Retco, whose shares are suspended on the Johannesburg Stock Exchange, is in the middle of a takeover deal in which control is expected to pass to a consortium of pension funds from SA Breweries (which has a 32% stake).

The directors give three reasons for the group's poor performance in the past year:

- Costs continued to soar, leaving income from properties before interest up by only 7%. Hardly satisfactory in a 14% inflation climate.
- Earnings have been reduced by higher net interest charges (more borrowing was apparently necessary to supplement cash flow) and a decrease in the profit from sales of properties.
- The incidence of tax was higher — R1 304 000 out of R2 766 000 gross last year against R1 464 000 from R3 683 000 in the previous year.

They say the R21400 000 investment in Longtill has been written off as an extraordinary item.

Volkskas R30m rights at 470c

58

RDM 11/4/80

By HAROLD FRIDJHON

VOLKSKAS GROUP is to raise R30 370 573 by making an attractive rights issue to shareholders — 30 shares at 470c a share for every 100 shares held. Volkskas closing price last night was 560c.

The purpose of the issue is to to have the cash in hand to take up capital in the group's subsidiaries for expansion. The major subsidiaries are Volkskas, Volkskas Merchant Bank, Volkskas Industrial Bank and, apart from property, Volkskas Industries which includes Bonuskor and Transvaal Sugar Corporation.

An interesting feature of the offer is that shares not taken up will be available to other qualified shareholders who wish to subsacribe for extra shares.

Shareholders entitled to participate in the rights offer — those registered on April 25, 1980 — will be able to apply for an unlimited number of additional shares on a special application form which will be attached to the letter of allocation. These additional shares will be allotted at the directors' discretion.

COMMENT: Volkskas has the reputation of being the most conservative of the major banks in terms of return to shareholders. In the past five years, dividend cover has been as high as 4,1 with a low of 3,5. Last year when earnings a share were 102,6c, dividends amounted to 26c, giving cover of 3,9 times.

The report for the six months to September 1979 showed earnings of 51,7c (against 42,4c for the corresponding period of the previous financial year) from which a dividend of 12c was paid against 10,5c for the 1978 half-year.

Shareholders who do not wish to follow up their rights — and they are strongly urged to do so — should not let them lapse. There should be a reasonable market in Volkskas letters of allocation when the listing of nil paid letters opens on the JSE.

I find one remarkable omission in the Volkskas circular: no mention is made of the potential dividend on the increased issued capital. I don't doubt that the final dividend — 15,5c last year — will at least be maintained. Volkskas is a bank which makes only the minimum disclosures to shareholders and publishes only the profit that the directors care to show. This means that there are profits that can be brought forward if necessary.

SHORT-TERM INSURANCE

Counting the war's cost

With short-term insurers locked in a vicious rate war that is eroding underwriting profits, and with fixed investment portfolios showing declining yields there is — ostensibly at least — some reason for concern that the industry has an adequate solvency cushion.

Yet, according to the latest returns to the Registrar for 1978, out of 40 direct short-term companies, only one was in serious difficulties, and it has since been reorganised. "The solvency situations of all short-term insurers have improved over the last two years," SA Insurance Association's chairman Pat Anscomb assures the *FM*. The improvement is "due to two factors: the market has not been exposed to any major or catastrophic losses, and the upturn in the stock market."

Although many factors are contributing to the present "higgledy-piggledy confusion" in the SA market, as one spokesman described it, the root of the problem is worldwide. It originated some years ago when some very large new risks, such as oil rigs, emerged for which the world market did not have capacity. Many new reinsurance companies then entered the field, and there is now world-wide overcapacity. Changes in US tax laws have also encouraged off-shore captive insurance companies to seek non-captive business.

This enormous world-wide underwriting capacity overshadowed last year's recovery in the SA economy, so there was little growth in premium income. A vicious circle resulted. As rates were forced down by competition, companies were obliged to try by all means to get more business if only to maintain their income. This has forced companies to introduce new forms of cover such as the "parasol" policies for domestic insurance, and industrial "all risks" which, offered at no higher rates, increase the companies' exposure.

Because of the surplus world-wide capacity, reinsurers are supporting low rates. And because overseas interest rates are very high, some overseas reinsurers are said to be "writing for money," regardless of whether the rate is adequate or not.

In addition, the problem in SA appears to be centred on the fact that there is so much tied business in the market, because of financial control of both companies and brokers by major finance houses, including mining groups. Thus sections of both the broker and the company market have guaranteed incomes from these financial groups. This allows them to compete more strenuously on rates and take risks that independent companies and brokers can't afford to do.

No-one denies that a full-scale rate war is underway. Reductions of fire rates of as much as 30%, 50%, or even more, have been reported. Some companies are said to be subsidising their fire rates heavily with the market agreement rate for earthquake and special perils. Traditionally, it has been the accident departments which were subsidised by the fire departments because, in the old tariff days when there was a cartel among certain companies on fire rates, this class of business was more profitable.

Registrar Louw . . . facing a short-term insurance dilemma

Although the market agreement is no longer working, spokesmen say most of the large companies tend to be more conservative in their underwriting approach. And, as major risks are spread through the market, this tends to stabilise rates. (Even the conservative large companies are being forced to cut some rates, against their better judgment, to retain important business.)

What is going to happen when the favourable claims climate changes, as it is bound to do sooner or later?

Even then, the industry's leaders assure the *FM*, it is not the small companies that are causing particular concern. The risks they write are commensurate with their size and, in any case, are cushioned by reinsurance. "And the small company cannot afford to be adventurous."

The Registrar is on the horns of a dilemma. An increase in solvency margins from the present 10% to 15%, as has been mooted, could push several companies nearer to insolvency, which is the last thing he wants. "Though there is a severe rate war," Wynand Louw says he is not alarmed. Most companies, he points out, are in a strong position. The main value of an increase in solvency margins, he says, "would be a signal to the market not to act irresponsibly." Companies which could not comply would be given time to put their houses in order.

Most people are looking to the reinsurers to exert a sobering influence on rates. Unfortunately, Swiss Reinsurance's GM Laurenz Keel points out, South African professional reinsurers have very little influence on the market, because a lot goes overseas (and as long as there is over-capacity, rates won't harden) and a lot is also placed locally "inter-company."

So SA is inextricably involved in the industry's world problem above its own. It will take a few big losses, coupled perhaps with declining investment returns, before companies start to show technical losses and this starts to harden their rates. Sooner or later the overcrowded industry will have to be rationalised. Meanwhile, think twice before picking the company which offers the lowest rate. Cut-rate premiums also mean reduced service and diluted cover.

PAGE 1

AMIC

All systems go

Activities: *Industrial holding company in the Anglo American group. Owns Boart International, Scaw Metals, Bruynzeel Holdings, African Products (all 100%) and Mondi (62,7%). Investments include De Beers Industrial, Freight Services, Highveld Steel and LTA*
Chairman: *G W H Relly*
Capital structure: *27,0m ordinaries of R1. Market capitalisation R567m*
Financial: *Year to December 31 1979. Borrowings long- and medium-term, R67,0m; net short-term, R32,5m. Debt:equity ratio 22,6%. Current ratio 1,6. Net cash flow R50,7m. Capital commitments R107,4m*
Share market: *Price 2 100c (1979-80 high 2 550c; low 1 200c; trading volume last quarter, 184 000 shares). Yields 15,1% on earnings, 5,0% on dividend. Cover 3,0. PE ratio 6,6*

	'76	'77	'78	'79
Return on cap %	21,0	18,2	19,5	23,9
Turnover (Rm)	318	327	491	736
Pre-tax profit (Rm)	70,8	58,8	84,2	150,0
Gross margin %	22,2	19,4	18,8	22,0
Earnings (c)	160	141	195	317
Dividends (c)	65	70	80	105
Net asset value (c)	1 060	1 166	1 1[illegible]0	1 247

Although chairman Gavin Relly warns shareholders not to expect a repeat of last year's 63% earnings increase, indications are that the group will at least be able to maintain its dividend growth rate at 30%.

The main reason dividends did not increase at the same rate as earnings last year was the increased retentions of the major operating subsidiaries to take account of inflation and, in certain instances, to provide funds for expansion. Another factor, however, was that Amic held back a greater proportion of its investment income. Unconsolidated earnings covered the payout an unusually large 1,31 times compared with the average of 1,14 for the previous five years, indicating the scope to increase dividends even if the earnings growth rate slows down.

Also, Relly's statement was written before the acquisition of a 35,25% interest in Haggie, an investment which is expected to boost earnings by about 5%, based on 1979 results (*Fox*, March 28). On the 50c distribution from Haggie expected by the *FM* for 1980, the income from the 6,5m shares held by the group would be R3,25m, although the impact on Amic's own dividend income will depend on how much of this it receives from wholly-owned Scaw Metals, through which the acquisition was made.

Last year's earnings improvement was broadly based, with all main operating subsidiaries contributing (see table). Results were enhanced by acquisitions made in 1978, particularly Mondi and African Products which were consolidated for only six and three months respectively in that year. However, the benefits were offset to some extent by changes in accounting policies of certain group companies which reduced taxed profits by R3,2m.

	Contribution to earnings 1978	1979	Contribution to earnings improvement 1979
	%		
Scaw Metals	24,4	29,4	21,7
Boart	33,8	28,7	20,5
Mondi	10,7	16,6	26,0
Bruynzeel	2,8	6,6	12,5
African Products	2,7	6,2	11,7
Investments	15,6	12,5	7,6

The thrust came mainly from higher domestic sales, the value of which increased by 52% compared with a 34% improvement in exports, and the proportion of exports to total sales consequently dropped from 33% to 31%. A total of 86% of earnings is now attributable to SA operations compared with 80,5% in 1978.

The biggest single contributor to last year's earnings improvement, at 26%, was Mondi, which now also includes the SA Forest Investment group. This company benefited mainly from a firm market for fine papers and virtually doubled its net profits, although with the changes in Amic's holding the group share of this company's profits increased 154%.

A further paper machine is expected to be commissioned late this year, to be followed by a fifth in 1981, after which Mondi will have a capacity of between 450 000 t-500 000 t of paper products a year. This compares with Sappi's 560 000 t (including Carlton).

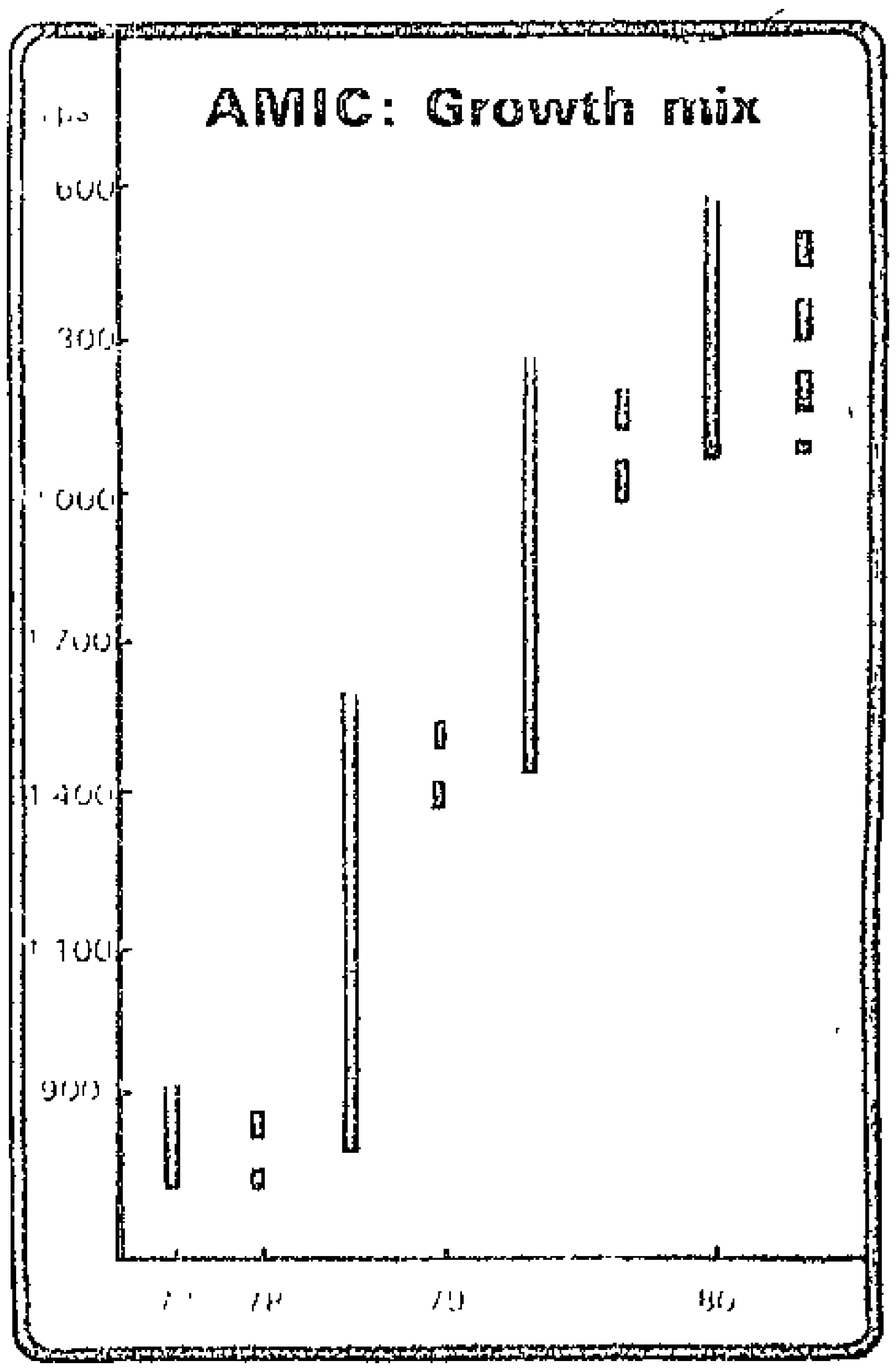
With this increased capacity, and a continued improvement in the performance of its timber and paperboard subsidiaries, Mondi is looking to higher profits again this year.

Scaw Metals and Boart International contributed 21,7% and 20,5% respectively to the improvement in group earnings.

Both benefited from buoyant mining industry conditions, while Scaw was also able to substantially increase export sales of railroad products. More recently, however, Scaw has noted a softening in the international market for railroad casting and for this reason the company does not see 1980 earnings improving to the same extent as in 1979.

Boart, on the other hand, has made a number of strategic acquisitions, the most important of which was a major interest (50%) in Klockner Becorit (SA) and the partnership with the German parent of this Johannesburg coal mining equipment supplier is expected to be of substantial benefit to the group. It consequently sees a further significant increase in sales and earnings this year.

Group capex is likely to be significantly higher than last year's R81,3m. Apart from Mondi's fourth mill, which is expect-



Amic's industrial base . . . a solid earnings prop

FM 11/4/80

58

PAG2

ed to cost R70m, Scaw is to spend about R35m on a new bar and section mill, and a grinding media plant at Rustenburg to serve the platinum mines. But this should not strain group resources as the bulk of it will be covered by net cash flow which is likely to total at least R100m this year

In any case, the group is in excellent financial shape and could well afford to increase borrowings, currently a low 21,6% of permanent capital. Total debt increased by R24m last year, associated mainly in a restructuring of the long-term short-term relationship R28m in new long-term loans were raised, while short-term borrowings dropped R4m and now account for only 46% of the total compared with 62% a year ago

The share at 2 100c looks very good value. The historic dividend yield of 5,0% is above the industrial market average of 4,7% whereas, logically, a company of this quality should be trading at a premium. Amic could distribute 140c this year which adds to the attractions as the 6,7% prospective yield should provide a measure of protection even if interest rates turn higher

Brian Thompson

SA among the top life insurance countries

STAR 12/4/80 (58) (200)

South Africa holds top position in the world as regards the percentage content of life insurance in the total insurance premium package.

According to last year's May edition of SIGMA, in 1977 life premiums amounted to 67 percent of the total equalling R1 110m, which compares with the USA's content of life insurance at 34 percent.

In volume terms, South Africa ranks 11th out of the 44 countries in the world where life insurance is sold. Total premiums in 1977 amounted to 3,4 percent of the GNP which compares with 2,58 percent in the USA.

REASON

Dorian Wharton-Hood of the Prudential said in the April edition of Vitea that one of the reasons for the rapid development of the life insurance industry in this country and its relative importance as an investment vehicle was that South Africa had provided negligible social security benefits and had allowed individuals the freedom to spend or save their disposable incomes.

The industry had succeeded in providing adequately for the needs of the market over many years and was a shining example of the advantages of free enterprise in a capitalist society.

In 1978, total premium income amounted to R1 314m, of which 40 percent was group business, 2,4 percent from individual retirement annuities and 36 percent from other individual life business.

SURFACE

Fear of inflation eating into retirement provisions had caused the swing towards pension-type business, helped along by tax concessions.

Chairman of the Federated Insurance Company, Mr J A Barrow, said in his annual statement that the development of its life business was particularly good during 1979, with retained premium income rising by 28,3 percent to R42,7m.

The life fund increased by 20 percent to R275m. In spite of the massive increase in new business, expenses (including commissions) were just 12 percent of net premiums.

TREND

The five-year record shows the life fund at more than 2,5 times the figure at the end of 1974 with net premiums showing a similar trend.

Syfrets Fund up

(58) RDM 12/4/80.

ASSETS of Syfrets Inter-Growth Mutual Fund rose tc R17 060 000 in the first quarter of 1980 from R16 500 000 in the previous quarter, says Union Acceptances.

Investments rose to R15 400 000 from R15 200 000, and liquid assets to R1 800 000 from R874 136.

The top 10 holdings were Sappi, Nedbank, UC Investments, Anglo American Investment Trust, Priority Investment Trust, Sentrachem, SA Brews, President Brand, Rooiberg and Impala.

UNITED LEEN R1 000 M. UIT

RAPPORT 13/4/80

(58)

Deur ALPHONS DU TOIT

DIE land se grootste bouvereniging, die United, het ook die eerste geword wat in een boekjaar meer as R1 000 000 000 uitgeleen het.

In sy boekjaar wat op 31 Maart geëindig het, het die United se lenings op meer as R1 000 miljoen te staan gekom, vergeleke met R495 miljoen die vorige jaar. Dit verteenwoordig 'n styging van oor die R500 miljoen.

Mnr. Peter Richardson, mede-besturende direkteur van die United, het aan Sake-Rapport gesê: „Van hierdie totale bedrag van meer as R1 000 miljoen, is R781 miljoen aan die publiek geleen om huise en erwe mee te koop, en nuwe huise te bou.

„'n Bedrag van R61,4 miljoen is geleen vir die oprigting van woonstelle, en R33,2 miljoen vir sake-ontwikkeling."

Mnr. Richardson het dit beklemtoon dat die bouverenigings nie eintlik oor surplus geld beskik nie. „Dit is 'n wanbegrip dat ons oor soveel geld beskik dat ons nie weet wat om daarmee te maak nie.

„Ons het wel meer as R1 000 miljoen in ons jongste boekjaar geleen, maar ons inkomste in dieselfde tydperk was R980 miljoen. Ons het van ons reserwes gebruik gemaak om aan die vraag na lenings te voldoen."

Die gemiddelde huislening van die United in die jongste boekjaar was R22 400, vergeleke met R20 200 in die vorige boekjaar. Dit was vir 'n beskeie woning waarvan die koopprys met tussen R30 000 en R32 000 gewissel het.

Die getal lenings het in die jongste boekjaar skerp gestyg. „In Mei het ons 2 300 individuele lenings toegestaan," sê mnr. Richardson. „In Maart vanjaar het dié syfer byna verdubbel en 4 500 lenings is toegestaan.

Daar is ook, volgens mnr. Richardson, 'n merkbare toename in die oprigting van nuwe huise.

In April en Mei 1979 is R10 miljoen per maand aan boulenings uitbetaal. In Februarie vanjaar het die syfer tot R18,5 miljoen gestyg en in Maart tot R21,5 mijoen.

„Dit beteken nie noodwendig dat die getal huise wat gebou word, verdubbel het nie. Daar moet in ag geneem word dat boukoste geweldig vinnig styg."

Die United se volfiliaal, UBS-Ontwikkelingskorporasie, is nou besig met die oprigting van 400 huise in verskeie dele van die land vir swartes, Indiërs en Kleurlinge. Die totale waarde van dié huise sal meer as R7,5 miljoen beloop.

Byna R1 miljoen is in die loop van die jongste boekjaar toegestaan vir lenings ingevolge die huurpagskema vir 99 jaar in stedelike swart woonbuurte. Agt-en-sewentig verbande wat R750 000 werd is, is reeds geregistreer. 'n Verdere 22 aansoeke wat R194 000 verteenwoordig, moet nog afgehandel word.

58

Govt loans unsettle the market

RDM 14/4/80

By HAROLD FRIDJHON

THE CAPITAL market has been placed in disarray by the rates announced last week for the two Government loans – a long-dated at 9,25% and a three-year at 5%. While agreeing that technically the loans have been pitched at the correct rates, the market has been disturbed psychologically by them.

It is, perhaps, the short loan which has come in for the most criticism, although much of what is said about the three year issue also applies to the long. Market sentiment is that interest rates have bottomed and that they are more inclined to move up than down, although a real upward movement is not imminent.

So there is a tendency to hold back from taking up large parcels of the two loans because to stock up now would mean to lose [illegible] interest [illegible] the not [illegible] distant future [illegible] rates start to move upward.

There is a belief that the two loans will not be [illegible]. Of course, the Public Debt Commissioners will take up their large chunk because they [illegible] the stock, but the private [illegible] tor will be reluctant to commit itself and will take up only token quantities.

One market observer says the Government will take in less money than it will [illegible] pay out with the R3?? million redemptions which mat[illegible] tomorrow. He says the banks, largely the biggest holders of under three-year stock, [illegible] take up their cash because next Monday they will have to deposit between R200 million and R250 million in terms of the new Reserve Bank requirements which were announced on the eve of the Budget.

So the most they might be rolled over into the new three-year issue would be around R100-million.

And it is believed that the primary market won't take up much more than R150 million of the long dated stock. Then the wait-and-see syndrome will come into operation: "If we wait long enough, rates will have to go up, so let's see what will happen."

The institutions can afford to bide their time, their forward positions are gradually unwinding, but they still have a little time in hand.

It is the secondary market which is disturbed. In contrast with the primary market which looks to appreciating rates and therefore would have liked to see the Government loans pitched a little higher, the secondary market has found the rate too high and they recognise the signals.

There has been no panic selling – indeed the market has been thin, but the hardening of rates last week caused a certain amount of [illegible].

RSA [illegible] have hardened a little [illegible]

[illegible]

Market [illegible]

[illegible]

[illegible]

Volkskas raises final

RDM 14/4/80.

58

By HAROLD FRIDJHON

VOLKSKAS GROUP has made an early declaration of its final dividend for the year to March 31, 1980. It is 18c a share — 15,5c in 1979 — making 30c for the year against 26c, an increase of 15,4%.

At Friday's closing price of 560c the share yields 5,35%, which lifts it above Barclays and Nedbank in the Big Bank league; Stanbic gives 6%.

The reason for the early declaration is the forthcoming rights issue. Normally the final is declared in August. This latest dividend, however, will only be paid on August 4 to shareholders registered on April 25.

The increased dividend makes the forthcoming rights issue look attractive. For those who take up their rights at 470c the yield will be 6,4%, which is an excellent return on a bank share and is a good reason why Volkskas shareholders should follow their rights.

The new shares which will be issued as a result of the rights issue will not qualify for this dividend.

It is believed that the Volkskas board has intimated that the banking group will not pay less than this year's dividends on the increased capital.

CT: 15/4/80

58

IMF to discuss future of gold auctions

LONDON. — The next interim committee meeting of the Internationmal Monetary Fund's board of governors is likely to discuss the future of gold auctions. The meeting of finance ministers and central bank governors will be held in Hamburg on Friday, April 25.

The present series of gold auctions will come to an end in May. From June 1976 to May 1980, the IMF will have sold 25m ounces through the auctions. So far the auctions have generated $4.44-billion and third world countries have been the beneficiaries.

On completion of the sales, the IMF will be left with 105m ounces of gold, which at current prices, is worth $55-billion.

The big question is whether there will be a new series of auctions because the monthly supply of 444 000 ounces has become a crucial source of gold.

The board will also be discussing the formation of the "substitution account", and this topic will also be indirectly related to gold.

The substitution account, as the name implies, will provide the mechanism for a new international reserve asset. This asset will be a substitute for many billions of dollars which are washing around.

In essence, the 135-member nations could swap dollars for the reserve asset which would be allocated from the substitution account.

This asset would be special drawing right bonds which would be linked to the SDR — in other words, a basket of currencies.

The holder of the SDR bond would receive interest and because the value is determined from a weighting of currencies the central bank would be hedging against the chaos in the foreign exchange market.

Simultaneously, this substitute would take pressure off the dollar and would, hopefully, alleviate exchange crises.

Leaks from Washington indicate that in its initial phase the substitution account could cover $20-billion.

Gold comes into the picture because it may play a part in the composition of the substitution account. According to a Washington plan which was leaked early in February, the IMF would continue to auction gold.

Profits from the gold sales would be funnelled to the substitution account. These profits would then guarantee any exchange losses and keep the SDR bond stable. The dollar's weighting in the SDR is 40 percent.

If the dollar depreciates by 10 percent, then ceteris paribus, the SDR bond would fall by four percent, the gold profits could offset the holder's loss and guarantee the central bank from risk. Effectively, according to this Washington plan, SDR bond holders would also have a gold hedge against uncertainty.

Bullion managers, however, believe that the bond itself, should have gold backing. At least part of the valuation weighting would then include gold.

Whether the IMF board of governors decide on the gold link or not, they will still be faced with the problem of third world aid.

The under-developed countries must pay for a huge oil bill. Unfortunately, in a world faced with recession their commodity exports may not be sufficient to match imports and they could encounter spiralling debts.

There could thus be much pressure on the governors to allow the gold auctions to continue. The proceeds would still flow to the third world. The board may also argue that gold has proved far too volatile to seriously contend as an international reserve asset or backing for the substitution account.

Meanwhile, Swiss, London and German bullion dealers are waiting anxiously. However, most predict that the auctions will continue after the present series expires next month.

Financial Reporter

Tough money plan to curb inflation forecast

RDM 16/4/80.

153

58

A TOUGH monetary policy is likely to be pursued by the Reserve Bank this year to curb the inflation threat, according to Dr Johan Cloete, chief economist of Barclays National Bank.

He says in the bank's Business Brief that the size of the economic stimulation in the Budget makes this particularly necessary.

To safeguard the economy from "demand-pull" inflation, the monetary authorities will probably take a more restrictive stance in the months ahead.

"The Governor of the Reserve Bank made this clear in announcing — on the eve of the Budget — a switch to cash reserve requirements as a means of controlling bank credit, as well as the Reserve Bank's intention to issue its own debentures in future for purposes of conducting open-market operations.

"Moreover, the same factors which have brought about the sharp increase in gold and other commodity prices have also been instrumental in creating high interest rates overseas and the large differential which currently exists between rates here and abroad.

"This, in turn, sets up a net outflow of funds through the capital account of the balance of payments which automatically neutralises a large part of the current account surplus."

Dr Cloete expects interest rates — with short-term first and long-term following — to start to move up, if not immediately then by the second half of the year.

"It can be expected, therefore, that the Reserve Bank will in the period ahead conduct open-market operations to mop up excessive liquidity which gold and other commodity exports might continue to create in the domestic economy and that the bank will act to gradually push up domestic rates.

"Exchange controls are also to be further relaxed while the rand would be allowed to continue to float upward, as additional steps to deal with the problem of excessive liquidity and its inflationary consequences.

"In fact, with a severe recession now almost certain to develop in the United States in the near-term future and with this likely to spread to the other industrialised countries, and given the build-up in the country's imports as the growth rate quickens, it can be expected that large surpluses on current account of the balance of payments will be progressively reduced in the months ahead.

"This will particularly be the case if, together with other commodity prices, the gold price should move to a lower level under the impact of a recession overseas."

Reviewing general economic prospects, Dr Cloete says there can be little doubt that the Budget will have a stimulatory effect — if anything, too stimulatory.

The impact of the Budget through Government expenditure is likely to be neutral as the Minister of Finance has budgeted for an increase in total expenditure of only 14%, probably roughly in line with the rate of inflation.

A substantial positive impact on the economy will, however, come through the substantial tax reductions, amounting to R909-million, and a further R651-million from the abolition of loan levies.

Dr Cloete says: "Assuming an inflation rate of 14% to 15% in the ensuing year, this would, in effect, mean a reduction in the total tax burden in real terms of some 3%-4%, a substantial alleviation of the tax burden.

"Private consumption expenditure should receive a considerable boost as a result of the reduction in the tax burden and the consequent increase in disposable (after tax) incomes of individuals.

"Tax concessions resulting from the reforms in personal tax, the changes in the tax scales, the abolition of the loan levy should raise personal disposable incomes by about R800-million — - about three per cent in real terms.

"This, in turn, should raise private consumption expenditure by about 2,8%, allowing for the fact that part of the increase In disposable incomes will be saved."

he remarked that the fluctuations in prices were "visited on a society of which the economic organisation is more dependent than that of any earlier epoch on the assumption that the standard of value, would be moderately stable". (p. 2)

By contrast with the unfortunate Europeans after the First World War, South Africans would have had very little justification for assuming that prices remain generally stable. South Africans would have had even less justification for any such view after 1970 and it may be presumed that most South Africans had become sufficiently inflation conscious by then to have avoided putting much or all of their wealth in fixed interest annuities or the equivalent.

What is therefore suggested is that contractual arrangements are themselves dependent upon confidence or the lack of it in relative pr... rs will only lend for long periods if they have confidence in ... their savings so committed. Firms will be unwilling to cc... ward without confidence in the real value of their investme... of savers and investors will also be true of the financial intermediate between them. Similarly trade unions and em... sign long term agreements if they had confidence about real benefits.

Real estate is very lively

RDM 16/4/80

(58)

PROPERTY REPORTER

THE FIRST quarter of 1980 set a cracking pace in all sectors of Johannesburg's commercial real estate market, reports J H Isaacs and Company in its latest quarterly bulletin.

"New highs were established in the commercial and industrial rental market; a drought in the supply of residental units for leasing materialised; and indications of a new wave of buccaneer investors appeared in the sectional title development sphere," the company states. "The threatened building boom materialised and already shortages of important materials and skilled labour are plaguing the industry."

J H Isaacs adds that the highlights of the quarter were:

● The psychological barrier of R10 a square metre for prime office accommodation was broken with the signing of the major lease deal for a decentralised office building which will be completed in two years time.

● Rentals exceeding R2,30 a square metre were secured for industrial space.

● Permanent parking bay rentals in the city reached R65 per bay per month.

● Negotiations were completed for the development of two top quailty office blocks in the CBD and the financial area — the first such development project in four years.

● Demand for quality developed real estate — commercial, industrial and residental investments could not be satisfied despite a record number of multi-million Rand transactions

● Sales of vacant fully serviced residental stands were 150% higher than in the same quarter of last year.

● Flat buildings in all areas, other than the CBD, Joubert Park and Hillbrow, were fully let and average vacancy factor in the three problem areas dropped from an approximate 10% in the last quarter of 1979 to approximately 3,5%.

INVESTMENT MARKET

Major investment transactions involving prime commerical buildings were concluded at yeilds approximating 8%. Despite the enormous build up of liquidity, institutional buyers remained selective and adjusted their investment parameters upwards in relation to older less desirable properties. Modern industrial buildings having "AAA" tenants fetched prices returning between 9% and 10%. These returns escalated as the quality of tentants reduced. Prestige blocks of flats were hard to come buy but those few deals that materialised were generally on a yeild basis of between 9% and 10% except where there was considerable scope for rental improvement or sectional title development when buyers accepted much lower returns.

OFFICE ACCOMMODATION

The supply of top quality accommodation with adequate in-house parking has virtually evaporated in the city. Of the major buildings offering space in the last quarter such as the Johannesburg Stock Exchange Building, Life Centre, Kine Centre and Sanlam Centre, all are now virtually fully let except for the latter which has also a limited amount of space to let.

Asking rentals now approxamite R6,50 per square metre for immediately available accommodation. Middle-aged and elderly unsophisticated office buildings are continuing to fill at rentals of between R2,50 to R3,50m². All suburban office buildings are fully let.

RETAIL

Retailers have reported an average 20% — 30% improvement in trade over the same quarter of last year and virtually all vacant shop space in the CBD and suburbs has been taken up. The major shopping centres have all reported considerable improved trading conditions. Rentals for prime positions in the CBD — depending on size of ground floor premises — currently range up to R30 per square metre — still some percentage points away from the highs reached in 1972/73.

RESIDENTIAL

The supply of larger flat units is now of equilibrium and for every flat that becomes available there are numerous anxious takers. Rents have increased between 25% and 50% over the same quarter of last year but are still well below those necessary to make development of new blocks for letting viable.

SECTIONAL TITLE DEVELOPMENT

The development of town house accommodation in the northern suburbs and particularly in Sandton has turned into a veritable boom. All types of investors have rushed into this new field of real estate speculation hoping to make major capital gains. It is already apparent that many of these speculators are amateurs and with the ever escalating cost of construction it can be safely forecast that numbers of them will come away and lose their capital when the completed costs of units is shown to be more than likely selling prices.

(b) Manual labour is hired locally from week to week.

(d) All the plant needed for Southampton has been owned for some years. £1,6000 is the year's depreciation (straight-line) in the financial accounts. If the Hull job is taken, less plant will be required, and the surplus items will be hired out for the year on similar work at a rental of £750. Interest is based on a memorandum entry, at 5% of original cost, in the cost records.

(f) Office and general expenses amount to about £1,800 every year.

Required:

A revised budget (if you think revisions are called for), adhering as far as possible to the same order as that used for the data above, showing which job you (as a director) prefer, with short notes explaining your guiding principles and any calculations. Both jobs would last 12 months; no other jobs are being done or are likely to be offered.

Thos Cook wants a home for R30m

RDM 18/4/80

By SIMON WILLSON
Industrial Reporter

THOMAS Cook, the world's largest travel company, expects to have an extra R30 million to invest this year and the company's chief executive, Mr Alan Kennedy, is in Johannesburg to look at expansion possibilities for Thomas Cook's South African operations.

The R30-million, in cash and shares, is expected to accrue from an international deal in which Cook will sell part of its traveller's cheque empire to a European holding company to create a world-wide traveller's cheque system.

Thomas Cook is looking for areas to expand with the new investment capital, and the Transvaal region is high on the list.

Mr Kennedy said at a news conference in Johannesburg yesterday he would discuss with the company's South African board the areas where Thomas Cook operations could most profitably be expanded.

"We'd be interested in being simply a larger company in South Africa — we can see very sensible reasons why we should expand in the Transvaal area.

"It is an easy area to control, it's easy to advertise and to amortise our advertising costs across more branches," Mr Kennedy said.

Thomas Cook has a network of 14 branches around South Africa.

It is the largest European issuer of traveller's cheques, and deals in sterling, United States, Canadian, Australian and Hong Kong dollars, French and Swiss francs, yen and Indian rupees worldwide through more than 25 000 outlets.

Mr Kennedy said the R30-million deal, which gave Thomas Cook a 50% stake in the new European holding company, did not represent a desire by Thomas Cook to withdraw from the world traveller's cheque market.

"In fact, it is a strategy to strengthen our position in the traveller's cheque field," he said.

"Traveller's cheque marketing over the next few years is likely to be dominated by big financial institutions which widen the area in which the cheques are accepted and guarantee the cheques' refundability.

"We decided the answer was to align ourselves with major financial institutions, so we reached this agreement to sell our United States, Canadian and Australian dollar traveller's cheques to this new European holding company."

His company stood to reap the benefits of a larger sales volume and economies of scale.

Thomas Cook officials say the product of their traveller's cheque link with the European holding company will be a newly designed European traveller's cheque with increased world-wide acceptance because the leading European banks are expected to be part of the scheme, and a better encashment back-up, supported by the banks.

A possible barrier to any expansion of the traveller's cheque business in South Africa is the domestic and international strength of the credit card, but Mr Kennedy said he did not view traveller's cheques and credit cards as being in direct competition.

(216) (58) C.T. 17/4/80

Gems case trio wanted regular deals - evidence

THREE Johannesburg men bought diamonds from a police trap and then asked if the policeman could arrange regular supplies of diamonds for them.

This evidence was led in the Cape Town Regional Court yesterday when the three men appeared on charges of dealing in rough or uncut diamonds

Mr Jacobus Liebenberg, 55, Mr Johannes Liebenberg, 52, and Mr Ignatius Schutte, 58, have been charged with buying uncut diamonds weighing 66,41 carats from Sergeant D W Clampett in a police trap on August 18 last year.

Sergeant Clampett allegedly sold 19 uncut diamonds to the men in the Strand after extensive negotiations with Mr Jacobus Liebenberg

R120 paid as security

The asking price was R36 000, but Sergeant Clampett accepted an offer of R30 000. R120 was paid in notes as security and a cheque for R30 000 was written out and handed to him, Sergeant Clampett said

While the transaction was being discussed, Mr Jacobus Liebenberg asked him where he had got the diamonds and whether it would be possible for him to arrange that further deals went through

Lieutenant Johannes Pool told the court he and two other policemen followed the three men and Sergeant Clampett to the Strand, where the alleged transaction took place

He searched the men after a signal was given by Sergeant Clampett, and found a small bottle containing the diamonds in Mr Schutte's hand

The hearing was postponed till July 14 by the magistrate, Mr G van Eeden

Mr Frank Silbert prosecuted. Mr T J Ahlers appeared for Mr Johannes Liebenberg, Mr B M Griesel for Mr Jacobus Liebenberg, and Mr C Oosthuizen for Mr Schutte the 30% growth rate expected for others in this sector. And if dividends move in line, the payout could increase from 9c to 11c, or even 12c, unless the company chooses to slow the improvement by transferring an increased proportion of earnings to contingency reserves.

In any event, it is a foregone conclusion that the preferred ordinary shares issued last August by way of a rights offer will be automatically converted into ordinary shares. These shares carry a fixed annual non-cumulative dividend of 9,5c and will be converted once the ordinary dividend equals or exceeds this amount. There will be no diluting effect on earnings as they are treated as ordinary shares for this calculation.

The relatively slow growth of recent years is reflected in the exceptionally high historic dividend yield of almost 8%. This will increase to between 9,5% and 10% if the payout improves as expected; hence the share looks undervalued. *Brian Thompson*

Scott Hawker

FRENCH BANK Fm 18/4/80 (88)

Underperforming

Activities: *Registered commercial bank and foreign exchange dealer. French-based Banque de l'Indochine et de Suez owns 54,5% of the equity and Union Corporation 30%.*
Chairman: *G Dangelzer.*
Capital structure: *8m ordinaries and preferred ordinaries of 50c. Market capitalisation: R9,2m.*
Financial: *Year to December 31 1979.*
Share market: *Price: 115c (1979-80: high, 125c; low, 75c; trading volume last quarter, 187 000 shares). Yields: 15,0% on earnings; 7,8% on dividend. Cover: 1,9. PE ratio: 6,7.*

Although French Bank's profit growth accelerated in line with the rest of the banking sector, its 22% increase last year was a little disappointing in relation to some of the others which were showing gains of 30% or more.

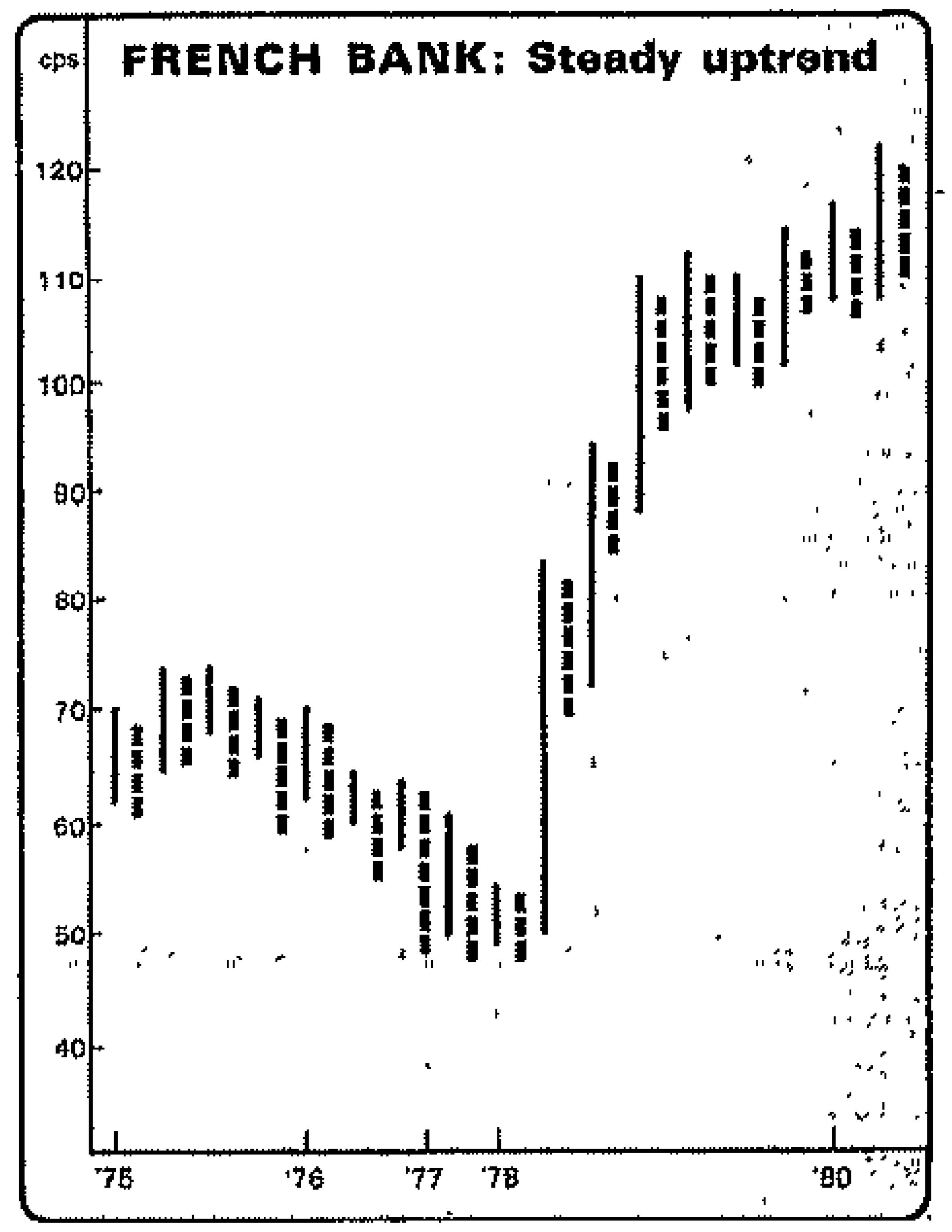
This was, in fact, a continuation of the pattern of recent years, as is evidenced by the company's 9,7% average annual compound growth rate over the past four years, which is considerably less than the 15,5% of both Barclays and Nedbank. Earnings per share were diluted by a rights issue in August.

	'76	'77	'78	'79
Total assets (Rm)	159,5	198,4	214,2	292,5
Return on assets (%)	0,48	0,41	0,44	0,39
Return on equity (%)	10,8	14,0	11,7	11,3
Taxed profit (R'000)	760	817	937	1 141
Deposits (Rm)	145,7	163,5	171,4	228,8
Advances (Rm)	n/a	n/a	75,9	116,4
Earnings (c)	12,8	13,8	15,8	17,2
Dividends (c)	6,5	7	8	9
Net asset value (c)	80,9	98,4	135,4	151,8

The company is also considerably less profitable than some of its competitors. A 0,4% return (after tax) on total assets is less than half that of Barclays and Standard — both about 1% — and the company shapes even less well against Nedbank's 1,7%. The same picture emerges from the net return on shareholders' funds which, at 11,3%, is unimpressive by any standard. The comparable returns for Barclays, Standard and Nedbank were 16,7%, 18,3% and 21,1% respectively.

The explanation for the relatively slow growth is probably to be found in the company's proportionately heavy dependence on the financing of capital equipment imports: not a very promising area to be in during a period of low fixed investment and excess plant capacity. The other banks mentioned have a much larger exposure to the consumer sector and accordingly benefited, particularly in recent months, from the provision of hire purchase facilities as consumer confidence and spending increased under the impetus of last year's tax cuts.

French Bank's Dangelzer . . . looking for improvement



There are, however, indications that French Bank could improve its performance in the current year, after significant increases in advances and acceptances. The latest balance sheet shows advances up from R75,9m to R116,4m which, according to the company, occurred mainly during the second half, while acceptances rose to R51,4m (R33,2m). The full benefits in terms of profits from this expansion of activities will only accrue this year.

The bank itself seems satisfied with its performance, with chairman G Dangelzer commenting that the results were achieved in a highly competitive market and in challenging circumstances. This applied particularly to foreign exchange dealings, where margins were drastically reduced as a result of the De Kock Commission reforms although, like Barclays, the report notes that the substantial increase in turnover in this field was a compensatory factor. The brush with the exchange control authorities over financial rand transactions receives no mention.

Dangelzer sees as growth points the company's active involvement in the secondary capital market and the money market, an expanded list of countries from which it can finance the import of capital equipment which now includes Italy as well as France, the UK, West Germany, Belgium, Spain and Switzerland; its entry into the field of financing capital equipment exports; and the establishment of a special commodities section within the international department which will allow maximum use to be made of the bank's international contracts.

Also, the corporate finance section established in 1977 is expected to make a maiden contribution to profits

On balance, it seems probable that the company will this year be able to match

BOTREST FM 18/4/80 (58)

Same old story 18/4/80

Activities: *Holding company with an 85% interest in Botswana-based copper-nickel producer BCL. Major shareholders are Anglo American and Amax.*

Chairman: *I K MacGregor.*

Capital structure: *18m ordinaries of P2. Market capitalisation: R10,8m*

Financial: *Year to December 31 1979. Borrowings: long- and medium-term, P288,2m; net short-term, P21,1m. Current ratio: 0,95. Capital commitments: P15,6m.*

Share market: *60c (1979-80: high, 90c; low, 43c; trading volume last quarter, 352 000 shares).*

Botrest's annual report, like its share price, has become something of an academic curiosity Year after year the report details the crippling debt commitments, and the endless reasons why ordinary dividends can be forgotten for a very long time — if not forever.

Production:	'77	'78	'79
Copper (000t)	11.8	14.6	16.2
Nickel (000t)	12.5	16.0	14.6
Turnover (Pm)*	56.6	56.5	55.0
Operating profit (loss) (Pm)*	(5.9)	2.0	15.8
Net loss (Pm)*	38.5	5.7	8.7

* P1=R1,02

Last year, however, Botrest did achieve record production and, with higher copper, nickel, and cobalt prices, operating profit increased significantly. Total operating profit before interest charges rose to P15,8m (P2m), as higher concentrator throughout offset to some extent the fall in copper and nickel grades Matte production was 39 823 t (39 517 t).

However, sales were hampered by the strike at Amax's Louisiana refinery which lasted until early this year. Had it not been for this disruption, says chairman Ian MacGregor, the overall loss on current operations would have been lower

With the strike and the need for additional finance, as well as the deferral of certain borrowings commitments and royalties, Botrest had to restructure its financing arrangements with major shareholders and the Botswana government Negotiations are still in progress, but they concern the deferring of debt repayments and royalties due this year to major shareholders until December 1983. Then they become payable in seven semi-annual instalments. As usual, all surplus cash will be devoted to debt repayment and servicing before any dividends can be considered. In addition, arrear pref dividends to the major shareholders totalling P13,4m (P5,9m) have to be paid ahead of ordinary distributions.

The Amax strike meant balance sheet matte stocks of P20m (P6,4m) at end-December. Thus additional finance of up to P15m had to be raised from major lenders and the Botswana government. However, Amax has agreed to shift the matte in a period of three to four months.

At end-December, Botrest had total borrowings of P309,7m (P244m), all of which must be redeemed before ordinary dividends can be paid. In addition, the prefs, which stood at P641 000 (P8,3m) in the balance sheet, have to be redeemed from profits which otherwise would be available for dividends. This is after the arrear pref dividends are paid. Annual interest commitments total some P36,2m (P25,9m).

Since 1975, Botrest has been technically insolvent, and though the current year is expected to see an increase in output and profit in view of higher expected sales and steady metal prices, there is no logical reason for the share to stand at 60c, or any other level for that matter. Perhaps it would be less painful for all concerned if the major shareholders increased their commitments slightly more by taking out minorities.

Des Kilalea

58 18/4/80

32

ESDAY

HIRE PURCHASE

FM 18/4/80

A structural shift?

Banks' hire purchase business jumped by over R210m in the final quarter of 1979. This represents an annualised increase of over 50%, twice as much as the previous quarter, and higher than any of the three previous quarters.

Bankers agree the increase was mainly attributable to an upswing in consumer confidence in particular and its leading effect on business activity in general, assisted by loan levy reductions and pen-

But behind the trend there may be a structural shift in financing procedures caused by "a certain disenchantment" with leasing, as one banker expressed it, and a consequent move into hp. There could be several reasons for this.

One suggested by Nedfin's Jonathan Kipps is that rising company profits, and concomitant decreases in tax benefits, have made financing by suspensive sales more attractive. Instalment payments are capitalised and capital incentive allowances are taken on the whole sum, whereas instalments under leasing arrangements are deductible periodically.

In addition, the eradication of a tax evasive "grey" area by the enforcement of the Code of Leasing Practices, put together by the Association of General Banks and Finance Houses some years ago, may have made lease finance less attractive. At the termination of an agreed lease period, the asset purchased by the leasing company was often "abandoned" by the lessors, and taken over by the lessee

Under the tighter conditions, if the lessee does not wish to extend the lease, he may under certain circumstances either purchase the asset or return it to the lessor for sale. In both cases, the difference between the "fair market price" at which it is finally bought or sold, and the residual value (a pre-estimate of its likely market value at the date of lease termination made by the leasing company in the original agreement), is returned to the lessee as an abatement of rental, on which he is liable for income tax. (If the price is less than the residual value, the lessee

C. Upping

makes up the shortfall!)

But this is not a significant factor in the quarterly rise, maintains Stannic's assistant GM Ron Wynter, although it may have played a role in the farming sector, where tax amendments have allowed farmers to write off fully in the first year purchases of new plant used for farming purposes. This has brought about something of a swing from leasing to hp, but the prime overall cause, he stresses, is the upsurge in consumer buying.

And even if there is a corporate shift to financing by suspensive sales, adds Kipps, the benefits are directly enjoyed by industrialists, which is within the principle of capital incentive allowances laid down by fiscal policy.

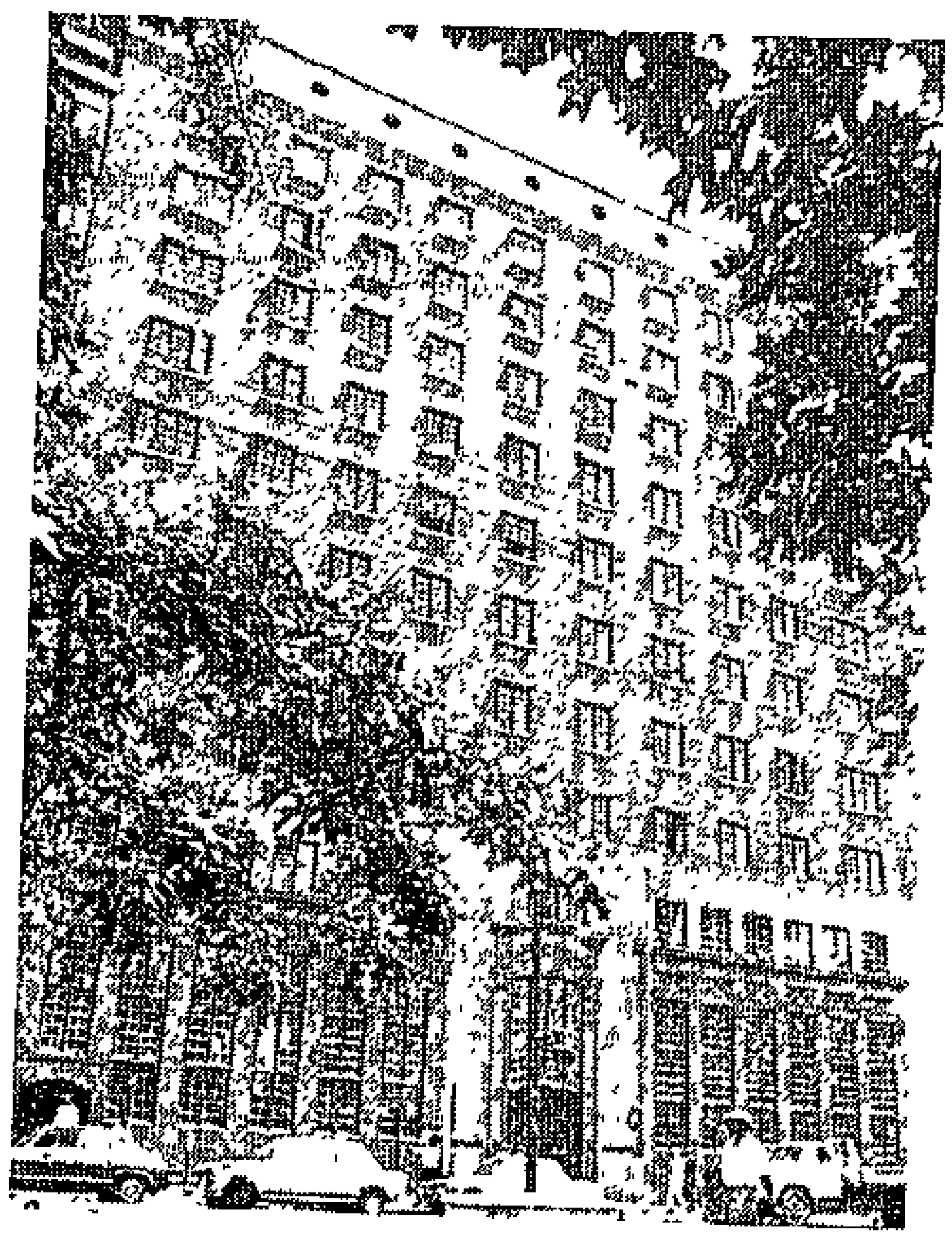
VOLKSKAS

Looking for more

FM 18/4/80 (55)

Volkskas's R30,4m rights issue represents the third time in five years that the group has raised new capital. The issue — 30-for-100 ordinaries at 470c -- follows a R15m private placing of prefs in August 1978 and a R13,5m rights issue in September 1975

This constant need for new funds is a little surprising in view of the group's



Volkskas . . . strengthening its base

traditionally conservative dividend policy. In the past five years, dividends have not been covered less than 3,5 times, with the average nearer four, a level considerably higher than any of its competitors.

It is noteworthy that these capital injections have not given Volkskas a significantly better profit growth record than the other banking groups.

While the average annual compound growth rate in taxed profits of about 17% over the past five years is about two percentage points better than Barclays or Nedbank, the 15,4% increase in dividends for the year to March could indicate that the group has under-performed over the past 12 months.

The company has still to announce its results, but the 30c (26c) dividend total suggests earnings of around 120c (103c), assuming an unchanged distribution policy. If this is the case, taxed profits must have been about R27,2m (R22,8m) before providing for preference dividends.

This 19% increase compares with gains of 30%, or more, by other commercial banking groups, generally with dividend increases to match.

Furthermore, after a 31% increase in profits for the first six months, such results would indicate a considerable slowdown (to around 12%) in the second half which, in turn, raises questions as to the group's ability to raise earnings this year on the expanded share capital. Dividends could, however, increase by a token amount at the temporary expense of cover.

The new shares are being offered at a discount of 14,5% to the current market price of 550c, but once the existing shares go ex-dividend and ex-rights on April 28, the discount will probably narrow to around 10%, with the nil paid letters trading at about 50c.

For long-term investors, the issue is probably worth following. But unless dividend prospects turn out to be better than they appear at present it should not prove difficult to find more attractive short-term propositions.

Brian Thompson

RAND DAILY MAIL, Friday, April 18, 1980

Gordon warns on premium cutting

RDM 18/4/80 (58)

By HAROLD FRIDJHON

A STRONG warning that fierce competition in the short-term insurance market, which in many cases is reducing premiums to sub-economic levels, will leave the South African insurance market in a vulnerable position is given by Mr Donald Gordon in his Guardian Assurance chairman's statement.

With little increase in private fixed investment in 1979, the short-term insurance industry had small growth apart from the effects of inflation which gave only modest increases in insured values.

These increases were more than offset by rate reductions in a fiercely competitive market which took premiums in many cases down to sub-economic levels.

The industry must expect loss incidence to fluctuate above the levels experienced in South Africa over the past three years and Mr Gordon warns that major losses are inevitable. He says that the present inadequate premium levels will require "substantial correction" to ensure future underwriting profitability.

"This further highlights the need for adequate insolvency requirements which, if not introduced, will leave the South African insurance market in a vulnerable position."

Reviewing Guardian's activities, Mr Gordon reports that underwriting profits were recorded in all departments, although the motor department fell short of expectations because of the effect of inflation on repair costs. This would necessitate corrective rating action in 1980..

Inflation also affected "home" policies where sums assured have not kept pace with increasing average claims cost.

Because of the demand for wider forms of cover, there was an urgent need to restore the balance between premium and exposure in the fire department.

(b) Manual labour is hired locally from week to week.

(d) All the plant needed for Southampton has been owned for some years. £1,6000 is the year's depreciation (straight-line) in the financial accounts. If the Hull job is taken, less plant will be required, and the surplus items will be hired out for the year on similar work at a rental of £750. Interest is based on a memorandum entry, at 5% of original cost, in the cost records.

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SA capital outflow curb

RDM 19/4/80

74

58

By HOWARD PREECE
Financial Editor

THE RESERVE Bank took decisive action yesterday to check the outflow of capital from South Africa and to ease severe strains that were appearing in the domestic money market.

One effect, perhaps deliberate, will be to make it easier for South Africa to keep gold away from the world markets when the price is weak.

A sharp rise in the forward dollar discount from 2,5% to 12% was announced by the Reserve Bank with immediate effect.

This discount basically adds to the cost of domestic financing and is intended to offset the difference between South African and US and Eurodollar interest rates.

The aim is to make it at least as attractive for South African traders to use overseas as domestic financing for their deals.

It will effectively force exporters to restrict their credit to overseas buyers and to bring their funds home as quickly as possible. Importers will be encouraged to use overseas financing.

This will boost foreign exchange reserves and allow for greater flexibility in marketing gold.

US interest rates have gone soaring over the past year and, with the forward dollar discount stuck at 2,5%, South African traders have switched hundreds of millions of rands from overseas to much cheaper domestic financing.

This has stopped the huge increase in the foreign exchange reserves that might have been expected from the gold boom.

In its quarterly bulletin this month the Reserve Bank reported: "The balance of payments recorded a substantial net outflow of capital in 1979.

"This net outflow, including errors and omissions on the current as well as the capital account, amounted to R3 082-million compared with R1 293-million in 1978.

"An important factor contributing to . . .capital outflow was the switching from foreign to domestic financing of foreign trade that was induced by the high degree of domestic liquidity and the considerable interest rate differential between South Africa and foreign countries."

When interest rates are much higher overseas than in South Africa, it pays South African exporters to leave their funds overseas as long as they can.

Alternatively they can afford to give extended credit to buyers.

A statement by merchant bankers Hill Samuel said yesterday: "There will now be a greater incentive for South African importers to take advantage of US dollar import finance as well as to use supplier credit from foreign exporters.

"Allowing for the rand/dollar discount the cost of six-month US dollar credit will be in the region of 6,5% a year and that of 12-month credit in the region of 5,5%.

"The widening of the forward rates represents a serious disadvantage to South African exporters in that it will now cost them 12% a year to cover US dollar receivables forward.

"The new forward exchange rates will put a halt to any further switching from foreign currency to rand finance and will probably encourage South African importers to switch back to US dollar finance in many cases.

"A further implication is that there should be an increase in local money market liquidity."

The Reserve Bank said the change was made to avoid a further tightening of the domestic money market because of an increasing tendency in the switching of financing of South Africa's foreign trade from foreign to domestic sources.

The announcement said: "The margin between short-term interest rates in South Africa and comparable interest rates aboad is at present so large that the switching of financing of South Africa's foreign trade from foreign to domestic sources increased to such an extent that the domestic money market tightened considerably.

"In order to avoid that this tendency continues unabatedly the Reserve Bank finds it necessary to increase as from today its discount for dollar forward exchange transactions with a maximum maturity of one year from 2,5% to 12%.

"This should discourage exporters from extending credit for long periods to buyers of South African products while at the same time importers should more readily make use of offshore financing.

"This rate for dollar forward exchange cover will be adjusted from time to time in accordance with changes in interest rates and other economic conditions."

The change is likely to draw many protests from exporters who will argue that in the long term it will harm the balance of payments.

LE CORNU

US hard-money buffs in search of SA

(58) RDM 19/4/80

By SIMON WILLSON

THE NATIONAL Committee for Monetary Reform (NCMR), one of the world's foremost advocates of gold as the world's principal reserve asset, is to hold a conference in South Africa for the first time next week.

The NCMR, an independent American organisation dedicated to finding a sound base for the world's monetary system, holds three international conferences a year, and its first 1980 conference starts at the Carlton Hotel, Johannesburg, on Monday.

About 300 delegates from the United States are due to arrive this weekend, including the NCMR chairman, Mr James Blanchard. About 50 delegates from South Africa will attend the conference.

Among the speakers will be the Minister of Finance, Senator Horwood; the economic adviser to the Prime Minister, Dr Simon Brand; and the senior Deputy Governor of the Reserve Bank, Dr Gerhard de Kock.

Also scheduled to speak are Dr Gerrit Viljoen, Administrator-General of South West Africa; Mr Adriaan Louw, chairman of GFSA; Mr Basil Hersov, chairman of Anglo-Transvaal Consolidated Mining; and Mr David Thebehali, chairman of the Soweto Council.

The United States delegates are mostly owners of mining stocks and investors who are weighing up the mining industry for reinvestment or as a possible new entry for their portfolios.

The conference organiser, Mr David Galland, said yesterday that the NCMR had come to South Africa for the first time because of the committee's perception of the increasing importance of gold in the monetary system.

"Since the latest upswing in the gold price, there has been increasing interest in gold among United States investors," Mr Galland said.

"The aim of our conference here is to answer every possible question American investors could want to ask about South Africa.

"In that respect, we have been fortunate to have attracted the South African speakers we have at this conference."

Mr Blanchard has a long-standing association with Senator Horwood, and the personal links between the two men — forged at several economic conferences — have played a large part in the establishment of the NCMR's maiden sortie into South Africa.

In 1971 Mr Blanchard founded the National Committee to Legalise Gold, which succeeded in 1975 in its aim of enabling private American citizens to own gold. That battle won, Mr Blanchard turned his attention to what he saw as the need for stabilisation of the international monetary system.

In effect, his quest has been to return the world's major economies to the gold standard — the ready convertibility of the principal currencies into gold.

Most of the delegates at NCMR conferences are investors known in the United States as "hard-money buffs" — people with money in gold, silver and other precious metals.

From the South African standpoint, the conference is a unique opportunity for national exposure to the upper stratum of influential American investors.

Mr Galland said: "Americans generally have little idea of what happens in South Africa, and how important the country is to United States interests. The NCMR is therefore almost a public education body in this instance.

"There is no comprehension of South African mineral wealth; chrome is my favourite example — the shocked reaction when people realise that South Africa controls most of the free world's chrome supply, and that without that chrome the United States has no stainless steel."

● **Senator Horwood said yesterday that South Africans had the right formula for success and were tackling their problems head-on. In a message of welcome to the American delegates to the conference, he said they would soon detect that, on the economic side, South Africa was in an exceptionally strong position.**

...he public, receiving money earlier than ...cted will react ...ither saving this ...ey or spending it. Their ...ce of which option to ...se will depend on their ...ctations.

...hould the public spend money (which is likely ...ccur if their expectations good) the effect according ... Keynesian model will follows:

W

J₁ E₁ W= WITHDRAWN

E

J

J= INJECTION

Y Y₁ Y (EXPENDITURE)

Tidal wave in insurance business

Barron | S. Times 20/4/80 (56)

By STEPHEN ORPEN

A TIDAL wave of new life insurance and insured pension business has inflated the flow of new savings generated by the industry for investment in the country's development to more than R4-million *a day*.

This is no less than 75% more than the equivalent figure only two years ago in early 1978.

On an annual basis, it also represents almost 50% of the country's total personal savings last year of just over R3 000-million.

A new report on the country's 38 main life organisations reveals that the flood of money from premiums, from insurance policyholders and from the investment of this income, has climbed by 55% from some R1 600-million in 1977 to R2 494-million last year.

The report was researched and produced by the Life Offices' Association of SA (the LOA).

It shows that, after deduction of the expenses of the insurance organisations, and other outgoings, the net income of the industry mushroomed from R855-million in 1977 to R1 498-million last year.

Expenses and outgoings totalled R996-million.

The net result was a compound annual growth rate substantially above the average of 19% in 1973-76 and the 13,1% in 1977 over 1976.

Still more dramatic was the growth in the second half of last year in income from group schemes and pension funds, and in gross investment income.

Compared with the first half, income from group business rose some 34% from R326-million to R437-million.

Gross investment income rose from R357-million to R433-million.

To Page 3

Tidal wave in insurance

S. Times 20/4/80 (56)

From Page 1

Interestingly, however, income from retirement annuity policies declined from R151-million to R142-million in the second half of the year.

The first-half bulge no doubt reflected the rush to take advantage of the policies' tax attractions before the beginning of the new tax year in March.

Also down in the second half was income from individual single premium policies.

Outgoings constituted 42% of total income in the first half and 37% in the second.

Operating expenses were around 13,5% of total income for the year, but declined by some 4% in the second half.

The report reveals, for the first time, the amount of business introduced by brokers as opposed to "others".

For the year as a whole, some 57 000 policies of a total of 250 000 were introduced by brokers. But the brokers enjoyed a relatively larger slice of gross new premiums generated — almost R24-million as against R51-million for others.

The brokers also played a far more important role — as might be expected — in bringing in business for the 29 life organisations classified outside the nine "large offices" treated separately by the LOA — in alphabetical order African Eagle, Federated Insurance, Legal and General, Liberty Life, Metropolitan, Prudential, SA Mutual, Sanlam and Southern Life.

For instance, in the second half of the year gross premiums attributable to the brokers amounted to only R15,6-million of the total of R54,8-million for the nine large offices.

But the figure for the 29 other offices was R8,3-million compared with R20,2-million, or some 40% compared with much less than 30% for the large offices.

SA koerse nou soos oorsee

RAPPORT 20/4/80 (58)

DIE diskonto op die aankoop van termyn dollars is Vrydag verhoog van 2,5 persent tot 12 persent en hierdeur is Suid-Afrika se effektiewe internasionale rentekoerse nou in lyn gebring met die huidige hoë wêreldrentekoerse.

Dit is die eerste maatreël in meer as twee jaar om weer die kapitaalrekening van die betalingsbalans te beskerm nadat daar verlede jaar 'n uitvloei van R1 886 miljoen se korttermyn kapitaal betaal was.

Dit is ook 'n verdere stap in die uitvoering van die aanbevelings van die De Kock-kommissie om 'n vryer buitelandse valutamark in Suid-Afrika te skep.

Verder kan dit die pryse van ingevoerde goedere met soveel as 12 persent verminder. Voeg hierby die onlangse afskaffing van die bo-belasting van 7,5 persent op invoere en dit is duidelik dat ingevoerde goedere in die volgende jaar 'n belangrike bydrae tot 'n laer inflasiekoers kan lewer.

Tot Vrydag toe kon 'n uitvoerder dollars vir lewering, sê oor een jaar, teen 'n diskonto van slegs 2,5 persent koop. As hy egter sy invoere met buitelandse wissels wou finansier, het dit hom minstens 20 persent gekos, min die termyndiskonto van 2,5 persent vir 'n effektiewe koste van 17,5 persent.

Dit was vir die invoerder veel goedkoper om eerder onmiddellik vir sy invoere te betaal en die geld in Suid-Afrika te leen teen 7,5 persent.

Nou is die prentjie heeltemal anders. Dieselfde invoerder kan nou in die buiteland leen, nog steeds teen 20 persent, maar die dollars vir lewering oor een jaar verkoop teen 'n diskonto van 12 persent vir 'n effektiewe finansieringskoste van slegs 8 persent.

Dit is ongeveer dieselfde as die koste van binnelandse finansiering en daar is nou min rede om nog op grootskaal van buitelandse na binnelandse finansieringsbronne oor te skakel.

Dieselfde geld vir uitvoerders. Tot Vrydag toe kon hulle nog hul buitelandse verdienste eers in die buiteland belê teen 20 persent en, om hulleself te dek teen moontlike wisselkoersveranderinge, dit vooruit verkoop teen 'n diskonto van 2½ persent vir 'n opbrengs van sowat 17,5 persent op buitelandse beleggings.

Dit was ook vir hulle goedkoper om dan eerder geld in Suid-Afrika te leen as hulle kort sou raak aan kontant.

Nou moet hulle egter die dollars vooruit verkoop teen 'n diskonto van 2 persent, wat die effektiewe opbrengs op die buitelandse belegging verlaag tot 8 persent.

Die netto resultaat is dat invoerders nou nie meer noodwendig onmiddellik sal betaal vir hul invoere nie, terwyl uitvoerders weer maar net sowel hul uitvoeropbrengste so gou as moontlik na Suid-Afrika kan terugbring. Dit behoort die groot uitvloei van korttermyngeld byna onmiddellik te stuit.

Die jongste stap bring Suid-Afrika se valutastelsel baie meer in lyn met die werklike vrye stelsels wat bv. in Europa heers. Daar is die diskonto of premie op die kort termyn van een geld-eenheid teenoor 'n ander 'n duidelike funksie van rentekoersverskille.

Ons rentekoerse vir ses maande is, sê 7 persent, dié van Amerika 20 persent, die verskil van 13 persent is die diskonto waarteen die dollar teen die rand moet verhandel vir toekomstige transaksies.

BoP looks a safe bet until 1982

(58) RDM 21/4/80

By HOWARD PREECE
Financial Editor

[W]HEN will South Africa next [h]it balance of payments prob[le]ms? The remarkable turnar[ou]nd on the current account [h]as been as immense as it has [b]een swift — with the result [th]at it is easy to forget that [th]ere ever were problems, or [th]at they could recur.

Certainly, with gold at $500, [o]r even $400, there is no fear of [a]ny early return to the crisis [p]osition South Africa faced in, [f]or example, 1975-76.

But there is perhaps a risk of [m]isunderstanding or misrepre[s]enting the nature of the dra[m]atic change in the balance of [p]ayments current account in [t]he past two years or so.

That could lead to risky fu[t]ure self-deception.

The economic crisis of 1975, [s]ymbolised by the hefty rand [d]evaluation, and the political [c]risis of 1976 of the Soweto [r]iots forced economic viurtue [o]n South Africa.

To be fair, that might well [h]ave accorded with the natural [i]nclinations of Senator Hor[w]ood, the Minister of Finance.

But in fair weather he might not have sufficient authority within the Cabinet.

In any event we have now pursued for nearly four years a highly responsible approach to fiscal and monetary policy.

That South Africa's inflation rate, as measured by the consumer-price index, is still running at 14% is not so much a reflection on those policies but on the beguiling simplicity of those preached panaceas.

The risk, however, is of a syllogism on these lines.

"South Africa has pursued responsible monetary and fiscal policies in the past four years.

"There has been a huge improvement in the current account of the balance of payments in that time.

"Therefore, if we continue to pursue the same policies we shall continue to avoid current account balance of payments problems."

But, as the table headed Balance of payments and taken from the Reserve Bank quarterly bulletin shows, the external factor of the gold-price boom has been overwhelmingly decisive.

In 1976-77, it is true, the so-called "J curve" effect of the 1975 devaluation was at work with imports first rising faster than exports, but with exports then taking over to bring the current account back into surplus.

In 1978, however, net gold output soared by R1 069-million to R3 864-million — and the current surplus bounded up by a similar R918-million.

Last year gold gained a further R2 139-million — and the current surplus improved by another R1 777-million.

Admittedly, one could extrapolate other items from merchandise exports to show their importance, but the decisive overall impact of gold — whose price is externally determined and still will be even by South Africa — can hardly be disputed.

So it has been devaluation and gold that have been critical.

The question then arises as to what kind of gold price is needed in the next three years for current account needs.

The table headed Current account BoP projection does not pretend to be a precise forecast of exactly what will happen (see Bullring for the limitations of forecasting), but it does try to make some reasonable assumptions and to look at the implications of them.

Imports in 1979 were expected by the Treasury to rise by about 25%, but the actual outturn was 21%.

Given the higher real growth in the economy expected this year and the growing pressures on domestic capacity, imports are likely to grow this year to R12 000-million (see table) from R9 669-million in 1979.

By the same token, if South Africa is to maintain the growth momentum during 1981-82 imports could well keep growing at a high rate again.

Exports, too, look set for good growth, but if the much-heralded world recession does bite deeper that growth could be checked.

Service payments will get the benefit of reduced overseas loans, but dividends will soar and so will insurance and shipping costs as the economy grows.

The point, however, is that even with these fragile calculations the fact that a gold price of only about $263 would be needed to balance the current account means another huge surplus this year.

If these calculations end $50 out either way on the necessary gold price that will be unaffected.

In 1981 the fact that the "needed" gold price will have moved up to the $380 region still seems to leave a solid prospect for the current account.

However, when we get to 1982 and start looking at the need for gold in the $520 territory, the outlook becomes less certain.

We might then find current account restrictions again.

It has to be remembered that South Africa, for political reasons, cannot assume a balancing capital inflow.

BALANCE OF PAYMENTS

	1973	1974	1975	1976	1977	1978	1979
Merchandise exports, fob²	2 517	3 164	3 653	4 889	6 293	7 449	8 856
Net gold output	1 770	2 565	2 540	2 346	2 795	3 864	6 003
Service receipts	962	1 114	1 400	1 497	1 595	1 949	2 245
Merchandise imports, fob²	−3 550	−5 768	−6 742	−7 443	−6 881	−8 019	−9 669
Payments for service	−1 765	−2 157	−2 802	−3 056	−3 429	−4 010	−4 496
Total goods and services (net receipts +)	−66	−1 082	−1 951	−1 767	373	1 233	2 939
Transfer (net receipts +)	14	84	138	96	39	97	168
Balance on current account	−52	−998	−1 813	−1 671	412	1 330	3 107

R millions. Current account B o P projection

	1980	1981	1982
Exports (+)	10 200	11 500	13 000
Receipts/transfer	2 670	2 970	3 340
Imports (−)	12 000	15 000	18 500
Payments	5 600	6 250	7 000
Non-gold current account	−4 530	−6 780	−9 160
Gold price needed to balance current account*	**$263**	**$380**	**$520**

* Assuming marginally declining gold production and average exchange rate R1 = $1,25.

World bankers in drive to tighten up on lending

RDM 22/4/80

(58)

CENTRAL BANK governors of the world's leading industrialised countries have issued a strong warning about the increase risks for international banking. A statement after the monthly meeting of the Bank for International Settlements said they would intensify efforts to ensure the soundness of international banking.

The unusual statement by the bank governors came after more than a year of discussions on the Euromarkets. Key elements are:

- A renewed call for consolidation of bank balance sheets.
- Improved supervisory practices by regulatory authorities.
- Closer monitoring of the BIS statistics already available on international lending.

The governors noted that international lending had been expanding recently at a rate of more than 25% annually. The efforts of the banking system to re-cycle the current large Opec surplus, point to a further substantial future growth.

Because of this, they said they had decided to monitor international banking developments more closely.

The BIS standing committee on Euromarkets will now report to governors at least twice a year on developments in the Euromarkets, to provide a framework for closer international co-operation on monetary policies.

Meanwhile, the governors said they now placed a high priority on bringing into effect the initiatives already taken by the BIS Committee on Banking Regulations and Supervisory Practices (the so-called Cooke Committee) with regard to the supervision of banks' international business on a consolidated basis, improving assessment of country risk exposure and ensuring that banks do not get caught short by having borrowed too much short-term money to finance long-term lending.

They said they attached cardinal importance to the capital adequacy of banks, their liquidity and avoiding excessive concentration of loan risks. — Financial Times.

Our policies have paid off — Brand

(58)

RDM 22/4/80.

SOUND economic and financial policies had played an important role in the progress towards South Africa's present strong economic position, while the exceptionally strong performance of the gold price had only enhanced this positive outlook, Dr Simon Brand told the conference.

Dr Brand, economic adviser to the Prime Minister, said forecasts made before the last surge in the gold price at the end of last year still predicted a 4,5% growth rate in real gross domestic product in 1980.

He told delegates that the credit for South Africa's strong economic outlook should not, therefore, be given solely to the "windfalls" of the high gold price from 1978 and the increase in non-gold exports in 1976 and 1977.

"It is generally recognised that the ability of the South African economy to capitalise on those external factors which favoured it in recent years was also strengthened very considerably by the economic policies which were followed from 1975 onward," Dr Brand said.

These policies were aimed at first, he said, at correcting the serious imbalance which had developed in the preceding years between aggregate supply and demand in the economy, and from the second half of 1977 increasingly at encouraging growth in the private sector.

"The policy of fiscal and monetary discipline, coupled with reforms in the tax structure, in the exchange rate regime, in arrangements governing the utilisation of manpower, and in a number of other areas, was not only a necessary condition for achieving an improved economic performance, but contributed positively towards that objective," Dr Brand said.

The strategy for achieving a relatively high economic growth rate over a number of years could be mapped out by basing policies on the three different scenarios of the 1978-87 economic development programme.

"The essential ingredients of such a strategy must be a reduction in the share of the country's resources claimed by the Government sector, a flexible exchange rate, and the active promotion of exports," Dr Brand said.

He said strict discipline in Government spending was also necessary, combined with a reduction in the tax burden and an increase in the money supply adequate to finance projected growth but not so large as to generate inflationary demand by creating excess liquidity.

SIMON WILLSON reports from the monetary reform conference

homeland approximately 24 miles from the city centre. By the end of 1971 a total of 61 822 people had been moved from Duncan Village to Ndantsane whilst another 50 151 people still legally in Duncan Vilage waited to be moved. But there were of course in both places thousands of people unaccounted for in that they had neither got permission to stay ther nor had they been counted in official statistics.

At the end of 1971 Mdantsane had a total of approximately 13 000 houses (they were being built at the rate of 30 a week) in which lived a legal population of 97 640 people a little more than half (52 000) of whom were female. Of this 97 640 two thirds had come, as we have seen, from Duncan Village. The other 36 000 people came in part from the Western Cape.

There were two estimates of the number of people living ille[illegible]lly in Mdantsane: one was a figure of 30 000 people; the other was derived from the sewage disposal works where it was estimated that the amount of sewage proc~~eeded was approximately 50%~~ higher than it would have

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'Lure savings to the high capital areas'

RDM 23/4/80

58

IT WAS necessary to ensure that savings in the economy were channelled into investment areas where the productivity of capital was relatively high, Mr Bob Aldworth, managing director of Barclays National Bank, said in Port Elizabeth.

South Africa had an enviable savings record. In fact, with the exception of Japan, the propensity to save in this country exceeded that in most industrialised countries.

With regard to foreign investors, Mr Aldworth said they would continue to invest in this country provided South Africa maintained a stable and growing economy in which profits could grow satisfactorily and provided that political developments or employer/employee relations did not unduly increase the risk attached to investment.

Mr Aldworth stressed the growing importance of self-financing by companies in the savings/investment process.

"In view of this, it seems that if we are to make sure that we shall continue to have sufficient funds to finance a high level of capital formation in South Africa, then we must help and not hinder companies to build up their internal sources of capital.

"One way of doing this would be to look into the possibility of applying a differential company tax so as to reduce, or even abolish, the tax liability on undistributed profits of companies.

"Depreciation provisions allowed by the tax authorities should also be related more closely to the price inflation of capital goods," he said.

Discussing the role of financial institutions, Mr Aldworth said they were not in a position, for liquidity reasons, to support too strongly risky investment in the private sector and the fact that they were constrained to invest a substantial part of their funds in the public sector further circumscribed the extent to which they were able to provide capital funds to the private sector.

"Surely the time has now come to free the capital market in South Africa from the inhibitions imposed upon it by the 'captive' market and to allow interest rates freer play in allocating the available savings resources between the private and public sectors of the economy," said Mr Aldworth.

Capital still welcome, says De Kock

58

RDM 22/4/80

SOUTH Africa's new exchange rate policy and relaxations of exchange control provided further proof of the Government's subscription to the principles of free enterprise, Reserve Bank senior deputy governor, Dr Gerhard de Kock said.

Telling delegates about the opportunities for American investors in South Africa in the light of the Republic's liberalised foreign exchange controls, Dr De Kock said the Government was committed to the market mechanism and to financial discipline.

He asked whether a country such as South Africa, in an economic upswing with a record current account surplus, exceptionally low interest rates and an abundance of loanable funds in domestic financial markets, needed foreign capital at all.

"If we are merely talking about the size of the net inflow of foreign capital, the answer in the short-term is 'No', not while we have such a large current account surplus and high domestic liquidity.

"But even in these special short-term circumstances, particularly if it is accompanied by technical know-how, managerial ability, skilled labour and increased trade," Dr De Kock said.

He said if this foreign capital inflow was counter-balanced by repayments of loans and credits and/or the acquisition of appropriate foreign assets by South African residents, this could result in an improvement in the composition of South Africa's capital account and a further strengthening of the economy, without necessarily implying a net inflow of capital.

"As far as the long-term is concerned, South Africa certainly needs foreign capital, in the sense that it has the natural and labour resources, the infrastructure and the financial system to enable it to use foreign funds productively in the attainment of rapid economic growth and an improved quality of life for all its people," Dr De Kock said.

Therefore, the position, he said, was that while South Africa could attain a reasonable rate of economic growth without any net inflow of foreign capital it could, through the proper use of foreign capital and technology, attain a higher rate of expansion and create more employment opportunities than would otherwise be the case.

"This proposition would be even more valid for any future constellation of states in southern Africa as a whole," Dr De Kock said.

"Given the economic interdependence of the countries in southern Africa and the economic preponderance of the Republic of South Africa in this region, the rapid expansion of the South African economy must rebound to the benefit of most of the other countries of this sub-continent."

future [...] income. Some of the [...]ll be consumed but th[...] will be saved. ✓

Gra[...] presentation

85/100

Bullion set for $100 move

58

29

RDM 22/4/80

BY NEXT Friday the gold price will have started a move that will result in a $100 difference in the bullion price within a few more weeks, delegates to the conference were told.

Mr Tony Henfrey, an industrial analyst who edits Gold Letter, the weekly bullion newsletter for gold investors, said he believed there was a dominant, 36-week cycle recurring in the world bullion market.

"We are in week 36 of that cycle right now, and gold is soon going to react to that cyclical pressure. We're on a knife-edge, and waiting for gold to break," Mr Henfrey said.

"By April 29 gold will have begun its $100 move, and if it drops below $490 we'll see it down to $410 before you can say 'Jack Robinson'," he said.

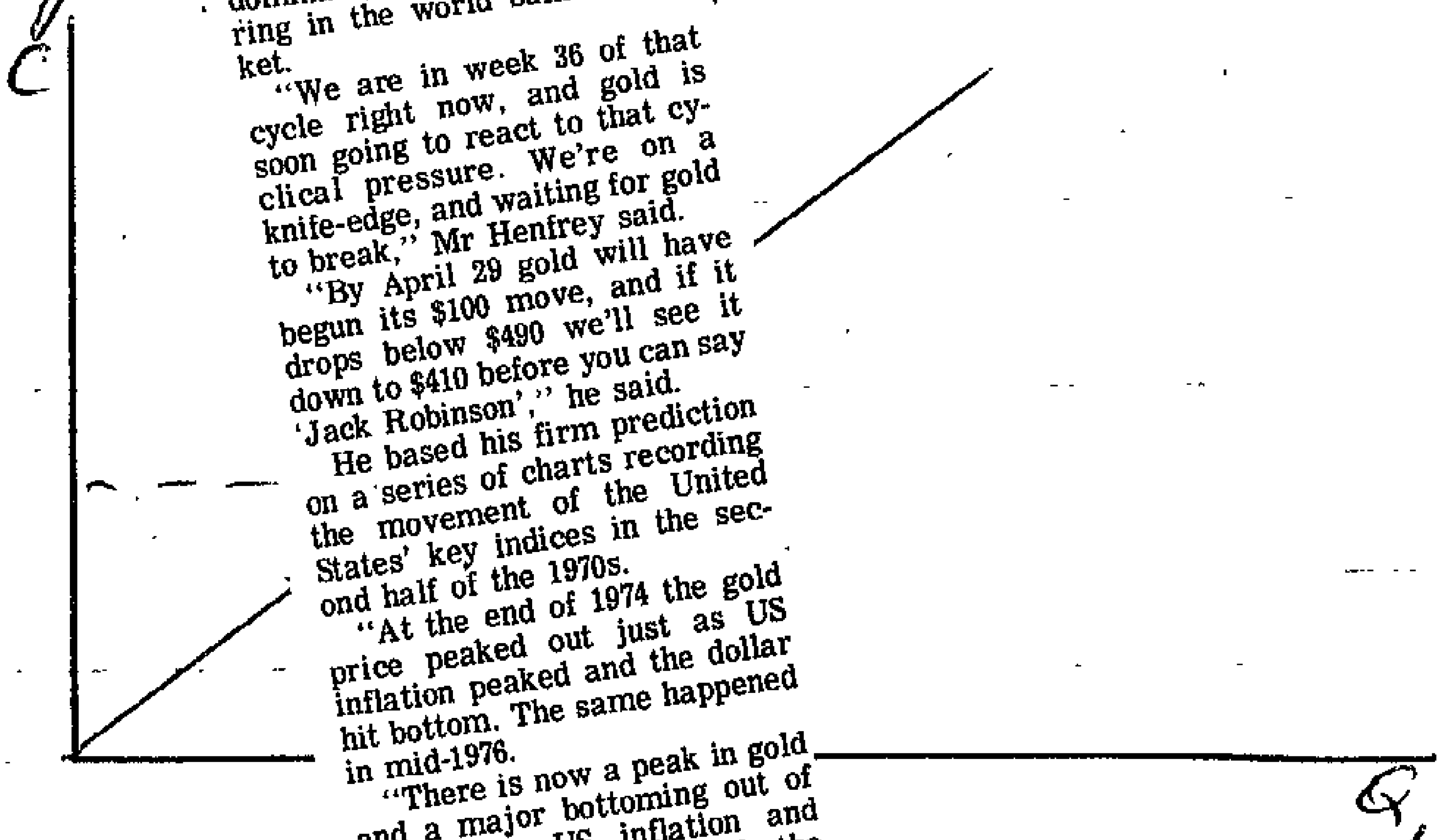
He based his firm prediction on a series of charts recording the movement of the United States' key indices in the second half of the 1970s.

"At the end of 1974 the gold price peaked out just as US inflation peaked and the dollar hit bottom. The same happened in mid-1976.

"There is now a peak in gold and a major bottoming out of the dollar. US inflation and the gold move in tandem while the dollar is directly contracyclical."

Backed up by his charts, Mr Henfrey said the gold price and US interest rates also tended to move together.

"It's clear to me that the dollar will hold up over the next six months, and its gain against other currencies could be as much as 20%. This means gold, US inflation and interest rates are all likely to go down."



C = Consump[...]

Q_1 = Dispos[...]

Factors.

- Consumer ~~[...]tes~~
- Savings
- Expectation
- levels of income.
- Permanent income hypothesis

Liquidity out of control — Horwood

Gold — the refuge amid the turmoil

GOLD had clearly won its "battle" against the paper currencies, and the metal's interrelationship with monetary reform and inflation was clearer now than it had ever been, says Finance Minister Senator Owen Horwood.

Addressing the conference of the American National Committee for Monetary Reform in Johannesburg, Sen Horwood said the time had come to air the whole issue of making the best possible use of gold as an official reserve asset and an international means of payment.

Noting that world liquidity was now "out of control", Sen Horwood said that as so often before, businessmen, financiers and the general public had once again reacted to inflation and currency turmoil by turning to gold as a proven store of value.

"No wonder then that gold has outperformed not only the weakest, but also the strongest currencies during the past year," Sen Horwood said.

He said the present international monetary system was a kind of inconvertible multi-component reserve currency system dominated by the United States dollar and characterised by managed floating for the main currencies or currency blocs and by pegging arrangements for the currencies of the less developed countries.

"Gold is no longer the legal unit of account or the numeraire of the system and has more or less been written out of the articles of agreement of the International Monetary Fund.

"No currency is convertible into gold or into any other commodity or basket of commodities, and the value of the IMF's Special Drawing Right is tied to a weighted basket of currencies.

"The attempts made in the early 1970s to control international liquidity by issuing SDRs were up to little or no," the minister said.

"No wonder financial markets and the general public have lost confidence in the ability of the world's monetary authorities to solve international economic problems!"

He said the judicious use of gold in an agreed and well-defined monetary role could now do much to improve the working of the international monetary system.

A bigger role for gold could also assist the efforts of monetary authorities to curb inflation, restore better balance of payments equilibrium and promote economic growth.

"To react to these facts of monetary life by persisting stubbornly with attempts to demonetise gold does not make good sense. The realistic and wise course would be to accept the verdict of the market and turn it to advantage."

Sen Horwood emphasised that his call for the return of gold as the world's principal reserve asset was not being made on behalf of the gold producers.

"I am not saying 'let us reconsider the monetary role of gold so that the South African gold mines can get a decent price for their product.' They have been getting very decent prices, and I have been getting some very decent tax revenues from them.

"That is not the point. What is at stake is the extent to which the international economic situation could be agreed by new internationally agreed steps on the gold front."

For the first time since the announcement of a more "flexible" gold marketing policy, the Minister confirmed that "a certain proportion" of South Africa's current gold output had been "held back" in recent weeks, but did not elaborate further.

He said the move was not designed to enable South Africa to exercise control over international gold prices, as the supply of gold on world markets was not limited to current production.

"It seems to us to make good marketing sense to withhold some gold when the price is strong. Far from having a disruptive effect on world bullion markets, our new marketing policy should exert a certain stabilising influence on the gold price," Sen Horwood said.

Pension funds strong — but 3 problem points

THE South African pension fund industry is, in very general terms, in a reasonable state of health from a funding point of view, particularly compared to its counterparts in the US and Britain, Mr J. L. Solomon said in Port Elizabeth.

Mr Solomon, senior general manager, pensions, of African Eagle Life Assurance, was addressing the [illegible] annual convention of the Association of Pension and Provident Funds of South Africa.

Mr Solomon said in 1972 there were some 7 [illegible] registered funds in South Africa catering for [illegible] 1,0 million [illegible] [illegible] pensions.

Of the 7 [illegible] [illegible] funds [illegible] [illegible] were [illegible] by registered [illegible] companies.

At December 31, 1977, the total number of funds had grown to just over 10 500 of which 9 000 odd were underwritten by insurers.

At that time the funds were [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] the [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible]

Between 1972 and 1977 [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] which [illegible] of about [illegible] a year compound.

Mr Solomon said three distinct issues emerged from a [illegible] future scrutiny of pension funds, and he believed they needed very careful attention.

1. [illegible] that [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] in the [illegible] of the pension fund to the employer [illegible] [illegible] [illegible] [illegible] possibly even in the short term as well."

2. — The problem of inflation "particularly when more and more pension benefits are being related to final average salaries."

3. The increasing and probably continuing tendency to incorporate [illegible] [illegible] [illegible] more or less the same benefits as those applicable to whites, and [illegible] [illegible] the [illegible] [illegible] escalation in black salaries that we have seen during the last few years and are likely to see in the foreseeable future."

Few people living outside Britain have any idea of the fantastic power and privileges conveyed to the trade unions by successive Socialist and weak Conservative administrations, Mr Jack Flemen, a pension fund consultant in [illegible] England, told delegates.

Mr Flemen said often with pay as you earn tax recovering, welfare benefits and a certain [illegible] [illegible] [illegible] when the [illegible] [illegible] [illegible] [illegible] [illegible] actually benefited in cash from the [illegible] the action.

"In addition, any pressing [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

Mr Flemen said the present Government [illegible] [illegible] [illegible] legislation to [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

Until effective legislation on [illegible] [illegible] [illegible] [illegible] [illegible] pension [illegible] [illegible] [illegible] so great that [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] of the [illegible] of the [illegible] [illegible]

Pension funds strong — but 3 problem points

The South African [illegible] fund industry is, in [illegible] terms, in a reasonably healthy state of health from a funding point of view, particularly compared to its counterparts in the US and Britain, Mr [illegible] Solomon said in Port Elizabeth.

Mr Solomon, senior general manager, pensions, of African Eagle Life Assurance, was addressing the 20th annual conference of the Association of Pension and Provident Funds of South Africa.

Mr Solomon said in 1970 there were some [illegible] registered funds in South Africa catering for just over 1,0 million [illegible] them [illegible]

[illegible] registered funds, [illegible] or [illegible] were [illegible] for by registered insurance companies.

"At December 31, 1977, the total number of funds had grown to just over 10 100, of which 9 000-odd were underwritten by insurers.

At that time the funds were catering for just on 3,2 million [illegible] no fewer than [illegible] pensioners. [illegible] both the [illegible] [illegible] period.

[illegible] between 1970 and 1977 [illegible] represents a growth of about [illegible] a year compounded.

Mr Solomon said three distinct issues worried him as regards future finances of pension funds and he believed they needed very careful attention.

1. — The effect that incorporation would have on pension fund [illegible] [illegible] in the future [illegible] as they were in the past, [illegible] result in the cost of the pension fund to the employer [illegible] in the medium to long term and possibly even in the shorter term as well.

2. — The problem of inflation "particularly when more and more pension benefits are being related to final average salary."

3. — The increasing and probably continuing tendency to incorporate blacks into funds for more or less the same benefits as those applicable to whites, coupled with the "dramatic escalation in black salaries that we have seen during the last few years and are likely to see in the foreseeable future."

Few people living outside Britain have any idea of the fantastic power and privileges conveyed to the trade unions by successive Socialist and weak Conservative administrations, Mr Jack Hymon, a pension fund consultant from England told delegates.

Mr Hymon said often, with [illegible] tax recoveries, welfare benefits and a certain [illegible] when the strike was over, the strikers actually benefited in cash from the [illegible]

[illegible]

Mr Hymon said the present Government was drafting legislation to reduce somewhat "the over-weening trade union power."

"Until effective legislation on these lines is passed, trade union power is almost certainly [illegible] that excessive wage [illegible] will continue, irrespective of the finances of the [illegible]"

Plenty of benefits will be the result

(58) RDM 23/4/80.

ANOTHER property leader has lashed out at criticism surrounding the lifting of rent control as being totally uninformed and failing to present the very real positive social benefits that it will bring about.

The attack comes from Mr Boet van Straten, managing director of Urban Management Company, an operation that provides a professional management service on behalf of owners of some 4 000 flats and townhouse units on the reef

Van Straten argues that very real social benefits will result from the lifting of rent control.

He cites a survey to establish trends in the wake of lifted rent control and the rush to convert flats for sale under sectional title legislation.

The flats in the survey were drawn from among Urban's own Johannesburg portfolio of managed blocks, and were sited in Bellvue, Berea, Norwood and Killarney. He believes the trends that emerged in the survey will be repeated, with some variations, countrywide.

Mr Van Straten's conclusion is that there are plenty of benefits to be had from dismantling rent control and the spin off in conversions.

Chiefly, he says, property ownership is now within reach of a broader section of the population "and that can't be bad".

Secondly, existing flat accommodation is being given a new lease of life as a result of up-grading by developers, prior to sales under sectional title.

Thirdly, he argues, returns on flats are not far off the point where developers will once again find them an attractive investment.

Thus, he believes the lifting of rent control may create a temporary shortage of flats, but will lead, in a year or two, to new blocks coming onto the market, with natural supply

PROPERTY REPORTER

and demand factors re-asserting themselves.

Specifically, Van Straten's survey showed that of the 250 flats involved, 47% had been sold to their previous rental tentants, 21% were sold to buyers who came from other formerly rented flats, 24% were sold to investors, and only 8% were sold to buyers who previously owned a house or a flat.

In other words, points out Van Straten, only 20 of the flats were effectively removed from the letting market.

The flats surveyed were all 20 years old or more, and were all multi-storeyed blocks, ie: typical rent control blocks.

In 90% of the instances, the buildings were run down, and more than a little sleazy. The opportunity to sell them, however, caused owners to invest an average R27,80 m² sprucing them up.

"Their useful life has therefore been extended in all cases," comments Van Straten.

Moreover, the new owners have become property owners at a bargain, since the survey showed that, taking into account land values and replacement costs, the units are worth R268 m² while the purchase prices averaged R198 m² — an effective 24% discount.

Adds Van Straten: "All the blocks are close to the city centre, where suitable development land for flat blocks is simply unobtainable. The net result is an improvement of the overall environment with the owners and developers realising a fair profit for their investment and the buyers gaining possession of a valuable stake in bricks and mortar.

And what of the little old ladies syndrome? says Van Straten. "In all the hullballoo over lifting rent control, one vital point has been overlooked. And that is that sub-economic earners with an income of less than R350 per month if single, and R500 per month with a family of four are protected under the Rent Acts from eviction anyway. So what is all the fuss about?"

Nedbank's profits up

58

RDM 23/4/80.

Financial Reporter

BOOSTED by a quickening economy, the Nedbank group pushed up taxed profits 35% to R27 350 000 in the six months to March compared with R20 300 000 in the first half of the previous year and the interim dividend has been raised to 11c from 8,5c.

Earnings rose by 32% to 31c share from 23,4c.

Mr Rob Abrahamsen, executive director of the Nedbank group is "confident this profit growth can be mantained until the year-end".

The banking climate in the past six months has been exceptional.

Despite a slight decline in interest rates during the period, the gap between lending and borrowing rates has remained respectable.

The economic improvement increased demand for loan funds as companies have built up stock, debtors and working capital.

Commissions and foreign exchange earnings have risen sharply with the quickening rate of business.

UAL which has been very active raising funds for the public and private sectors as well as with mergers and takeovers also had an excellent first half.

Nedfin experienced a very encouraging increase in hire purchase and leasing business written.

The entire group's bad debts experience was better, but this was not a major factor in these results.

The Nedbank group has a healthy capital surplus and can lend an additional R830 000 000 on its present capital base. Nevertheless the group has maintained its return on equity at well over 20%.

The increased dividend makes the current yield of 4,6% very historical.

If the year-end dividend also rises by 29% Nedbank will pay a total of 34,8c.

This puts the share on a prospective yield of 5,9% — compared with the average yield on industrials of 4,7%.

Neglected areas

58

RDM 23/4/80.

PROPERTY economist, Dr Peter Penny, says there were at least two areas in the Budget neglected by the Minister of Finance, Senator Horwood, which might have greatly influenced commercial property development.

Dr Penny believes institutional investors were greatly disappointed in the absence of any reduction in prescribed investment levels. In almost all instances these investments yield returns decidedly below many other sound investments. And at the same time, prescribed investments withhold funds from the general market place which might otherwise be channeled into property development.

The second area of concern centres on the Minister's reference to examining — through the Standing Commission on Taxation — the desirability of maintaining investment allowances for private sector fixed investment. Dr Penny argues that over the last seven years there has been a disturbingly low level of real fixed investment particularly in both industrial plant and buildings. Now, if the economy is to develop, private industry must be given some incentives to expand and ultimately to decide whether this expansion of industry is to be capital or labour intensive.

Dr Penny believes industry — rather than Government — is better placed to make these decisions and the tax incentives should be left untouched.

Argus 23/4/80

Bank staff get two double cheques

58

TRUST BANK employees are to get two double pay cheques this year in recognition of their contribution to the bank's outstanding performance.

In addition to the usual 13th pay cheque at Christmas they will receive as a special bonus a double cheque at the end of June.

'This is a special award and our staff cannot expect it to be repeated,' Mr Jan Kühn, head of the bank's operations in the Western Cape said today.

It was intended to reward staff for their special performance in difficult times.

The devotion of the staff had enabled the bank to make substantial progress in penetrating new markets and improving its performance, he said.

In the six months to last December the Trust Bank boosted its profits to R3,4-million from R59 000 in the same period a year earlier.

SRE signs up with an Israeli firm...

58 RDM 23/4/80.

WITH South Africa's economy moving firmly in a healthy upward direction, expectations are that there will be a noticeable increase in the flow of trade and investment with Israel.

To accommodate the expected increase in business, the Cape Town and Johannesburg based SRE Real Estate company has established a tie-up with an Israeli undertaking.

Mr Sam Turecki, co-managing director of SRE, has announced that his company has linked up with Corex, a Tel Aviv based property management and investment company.

Their agreement means that SRE will look at the South African end of the potential investment money for industrial property in Israel, while Corex will channel Israeli money marked for South Africa through SRE.

Mr Isaac Bloch, managing director of Corex, was in Cape Town recently when the two companies formally agreed on their joint undertaking. He said the Israeli government's latest plan to actively orientate the economy towards export would give an added impetus to South Africa's interest in Israel.

Israel gets favoured treatment from the United States and the European Common Market and the country is viewed as an important springboard for South African business into these markets, in compliance with relative exchange control regulations.

Mr Bloch, previously from South Africa, and one of the founders of Corex in 1973, said his company was established with the belief that all investments made in a foreign economy require a reliable and effective interface with local conditions and sound on-the-spot management.

"Corex's experience has proved that, by being in the shoes of the foreign investor, the probability of a successful investment is enhanced," said Mr Bloch.

Corex's initial task is to learn and understand the requirements of the potential investor and only thereafter to assist in selecting the most appropriate project.

The company also promotes projects it considers viable and seeks suitable investors for these projects. Mr Bloch believes that this service provided by the company will be of special significance for South African investors.

Mr Bloch said that real estate investment provides the most suitable field for the large majority of foreign investors in the Israeli economy. Industrial investments generally have a high risk factor and are most suited to those investors who are able to offer not only capital, but technical and marketing know-how.

AD 27/4/80

Lawyer goes missing

58

248

JOHANNESBURG — A large amount of unpaid cheques — some for thousands of rands — are lying around the office of Mr Stanley Lipschitz, a Johannesburg attorney who allegedly fled South Africa at the weekend after telling his wife that he owed "the whole world" money.

The cheques were reportedly made out to Mr Lipschitz's firm

Staff members at Mr Lipschitz's office said he was "secretive" in his dealings over the last few weeks and spoke in a hushed manner to people over the telephone

Following Supreme Court applications by Mrs Lipschitz and the Law Society this week, a Johannesburg attorney representing the Law Society visited Mr Lipschitz's offices yesterday

A friend said Mr Lipschitz had not been in contact with his wife and no one knew his whereabouts. DDC.

FINANCE

Argus 24/4/80

DOLLAR FALLS AS U.S. BANK CUTS RATE

74 58

Financial Editor

THE dollar — accompanied by the rand — has fallen sharply in the past 24 hours after an announcement by the Chase Manhattan Bank in New York that it was cutting its prime rate immediately to 19 percent from 19,5 percent.

In recent weeks high United States interest rates have made holding the dollar an attractive proposition and its value has jumped, say dealers in London.

But Chase Manhattan's decision appears to be the start of a general turnaround in US interest rates.

The decision triggered nervous selling that saw the dollar drop four pfennigs against the German mark and later by four yen against the Japanese currency, Reuter reports. The pound rose to its highest level against the dollar since late February.

SLOWING DOWN

The reduction in the Chase Manhattan's prime lending rate is also an indication of a slowing down in the US economy.

Confirmation came subsequently in a Detroit report that mid-April car sales were down 33 percent on the year-ago figure, while car sales since the start of the year were down 17,4 percent.

A survey of householders' buying expectations also showed that consumer confidence fell in March for the fifth consecutive month.

However, the US administration's policy of putting the economy into a recession in a bid to curb inflation has so far not had much effect.

The US Department of Labour reported this week that consumer prices rose a seasonally adjusted 1,4 percent in March, the same as in the two previous months.

As a result of the March increase the price index was 14,7 percent higher than a year ago.

turn to normal as the economy continues to improve.

Underwriting results cannot, for obvious reasons, be predicted. But, like most of its competitors, SA Eagle bases its dividends mainly on investment income which has grown at a steady 20% over the past two years. With about [illegible]% of investments in equities, an improved income from this source should at least balance the effect of lower interest rates on the fixed interest portfolio. A 20% growth rate both in investment income and distribution therefore seems justifiable, on which basis the payout this year should be in the region of 36c.

At a prospective yield of over 9% the shares have strong income attraction under present market conditions.

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SA EAGLE 25/4/80 FM 58

Against the trend

Activities: *SA's second largest short-term insurer in terms of premium income. Investments include 25% of African Eagle Life. Eagle Star, of the UK, owns 57,5% of the equity.*
Chairman: *Sir Denis Mountain; managing director: F N Haslett.*
Capital structure: *11,9m ordinaries of 25c. Market capitalisation: R46,4m.*
Financial: *Year to December 31 1979 Solvency margin 82,5% (75,5%). Claims ratio: 62,7% (63,3%). Expenses ratio 29,7% (30,5%). Dividends: investment income 66,2% (66,1%).*
Share market: *Price: 390c (1979-80: high, 390c; low, 300c; trading volume last quarter, 71 000 shares). Yields: 12,3% on earnings; 7,7% on dividend. Cover: 1,6. PE ratio: 8,1.*

	'76	'77	'78	'79
Net premium income (Rm)	41,6	52,1	60,4	58,8
Underwriting profit (R'000)	1 018	3 106	3 598	4 555
Investment income (R'000)	3 478	3 737	4 480	5 370
Pre-tax profit (R'000)	3 839	6 041	7 491	8 802
Earnings (c)	22,2	31,6	39,2	48,0
Dividends (c)	20	22	25	30
Net asset value (c)	168	178	191	213

Contrary to the general pattern of the short-term insurance industry, SA Eagle boosted its underwriting profit by almost 27% last year.

The three factors mainly responsible for this were the geographical spread of the group's operations, with (in the context of the industry) an unusually large proportion of premiums coming from overseas reinsurance, a decrease of almost R1m in commissions and expenses, and a R1,4m reduction in claims. Also, the group undoubtedly benefited from its policy of not writing business "with the sole object of acquiring additional premium income," whereas some others in the industry have tended to cut rates to sub-economic levels in order to attract business, with a predictable effect on their underwriting results.

A consequence of SA Eagle's policy was that there was virtually no growth in gross premium income last year, and after transferring R2,3m to insurance reserves, net premium income dropped 3%. This R1,6m reduction makes the R957 000 increase in the underwriting surplus to R4,6m all the more pleasing.

Investment income rose 20% to R5,4m despite the continued lack of dividends from African Eagle and this was matched by the increase in the group's own distribution which, therefore, represented an unchanged proportion of income from this source.

Security Executor Trust was consolidated for the first time following the acquisition of an 88% interest at the start of 1979. This, however, did not have any significant effect on earnings, according to MD Fred Haslett.

The annual report includes the usual warnings about competitive rate cutting and, to quote chairman Sir Denis Mountain, the "sometimes unsound competition" within the industry. He is hopeful, however, that trading conditions will re-

DATES TO REMEMBER

Last day to register dividends:
Friday May 2: Asea 11c; CI Industries 8,8c; Ergo 85c; FS Geduld 475c; Lucem 3c; Power Tech 2c; Pres Brand 320c; Pres Steyn 280c; SA Eagle 30c; Welkom 130c; Western Hld 675c.
Meetings:
Monday April 28: Botswana RST (Gaborone); Randfontein; Samancor.
Tuesday April 29: Aswkor (Germiston), Ensign (Cape Town); Karoo (Germiston); Metair; National Veneer (Alberton); Stanbic; Unidev.
Wednesday April 30: Dirdyal (Cape Town); Mooi River (Mooi River); Natal Coal.
Thursday May 1: Alex Howden.
Friday May 2: Dubin (Natal); ER Cons (London); Field Ind; Gough Cooper (Randburg); Lucem (S); Tiger Oats.
All meetings are in Johannesburg unless otherwise stated.

(58) FM 25/4/80

Interim Report and Dividend Announcement

for the six months ended 31st March 1980

The accelerated pace of the economy and the competitive climate have had a stimulating effect on The Nedbank Group.

Interim report

The unaudited net operating income after tax and after transfers to internal Reserves attributable to shareholders of the Nedbank Group Limited for the six months ended 31st March 1980 amounted to R27 350m which represents an increase of 34,6% on the same period last year.

Earnings per share for the period under review increased from 23,4 cents to 31,0 cents.

General

The six months to the end of March 1980 saw a sharp upsurge in the pace of the South African economy - a welcome development after twenty one months of uncertain recovery. The acceleration followed an increase in real personal disposable income which, in turn, led to a higher level of real consumer spending (particularly on durable and semi-durable goods). Despite the bigger spending, personal savings rose substantially as did the savings of the government and corporate sectors. With the balance of payments in substantial surplus mainly as a result of an increase in export earnings, with gold in particular) the liquidity of the banking system grew rapidly. Domestic interest rates dropped to even lower levels.

The stimulatory but conservative Budget of March 1980 will ensure that the economy will stay on the new and higher growth trend it achieved during the first half of the company's financial year.

The accelerated pace of the economy and the competitive climate have had a stimulating effect on the group and despite increased operating costs, profits have increased by 35% (22%) in comparison to the corresponding previous half-year.

The prevailing business confidence in South Africa and the improved economy should make for a sustained growth in the group, for which the group is geared.

For and on behalf of the board
Dr. F. J. C. Cronjé, *Chairman*
Mr. G. S. Muller, *Chief Executive and Senior Deputy Chairman*

Income statement

	6 months to 31.3.80	12 months to 30.9.79	6 months to 31.3.79	12 months to 30.9.78
Taxed banking and other income after transfers to internal reserves	R28 061	R49 120	R21 041	R38 260
Less · Outside shareholders' share of income of subsidiaries	711	1 727	731	1 551
Income attributable to shareholders of Nedbank Group Limited	R27 350	R47 393	R20 310	R36 709

Notes

1. The figures for the interim report are unaudited.
2. The above is an abbreviation of the balance sheet and income statement of the Group. Notes to the accounts have been omitted.
3. In calculating the earnings and dividends per share, no account has been taken of 2 122 157 partly paid shares of R1 each, issued in terms of the executive share trust scheme
4. Capital commitments amounted to R5 250 000 at 31st March, 1980 (R4 000 000).

Dividend announcement

An interim dividend in respect of the year ending 30th September, 1980 of 11,0 cents (8,5 cents) per share has been declared payable to shareholders registered in the books of the company at the close of business on 9th May, 1980. The transfer books and register of members will be closed on 10th May, 1980 and re-open on 19th May, 1980. Dividend cheques will be posted on or about 2nd June, 1980. Non-resident shareholder's tax will be deducted where applicable.

D. A. Peterson, Secretary

Salient Financial Information

	6 months to 31,3.80 000's	6 months to 31.3.79 000's	**12 months to 30.9.79 000's**	12 months to 30.9.78 000's
Issued and fully paid shares of R1 each	**88 154**	86 899	**87 540**	86 168
Group shareholders' funds	**R243 218**	R212 696	**R224 312**	R197 874
Taxed income available to Nedbank Group shareholders	**R27 350**	R20 310	**R47 393**	R36 709
Earnings per share	**31,0c**	23,4c	**54,2c**	42,6c
Dividend per share	**11,0c**	8,5c	**27.0c**	21,0c
Total assets	**R4 172 302**	R3 465 444	**R3 718 712**	R3 286 694
Credit facilities to the public	**R1 381 271**	R1 325 187	**R1 366 143**	R1 319 503
Deposits of public and other accounts	**R2 755 574**	R2 424 324	**R2 591 550**	R2 328 261
Ratio of deposits etc. to total shareholders' funds	**10,9:1**	10,9:1	**11,1:1**	11,3:1

Nedbank Group Limited

(Incorporated in the Republic of South Africa)

Members of the Nedbank Group
Nedbank (Commercial Bank), UAL (Merchant Bank), Nefic (Medium Term Bank), Nedfin Bank (Leasing Bank), Syfrets Bank (General Bank), Syfrets Trust (Trust, part. bonds), NIB (Insurance Brokers)
P.O. Box 1144, Johannesburg, 2000.

Pioneer invents the non-switching amplifier. Up till now, you've been listening to too many lies.

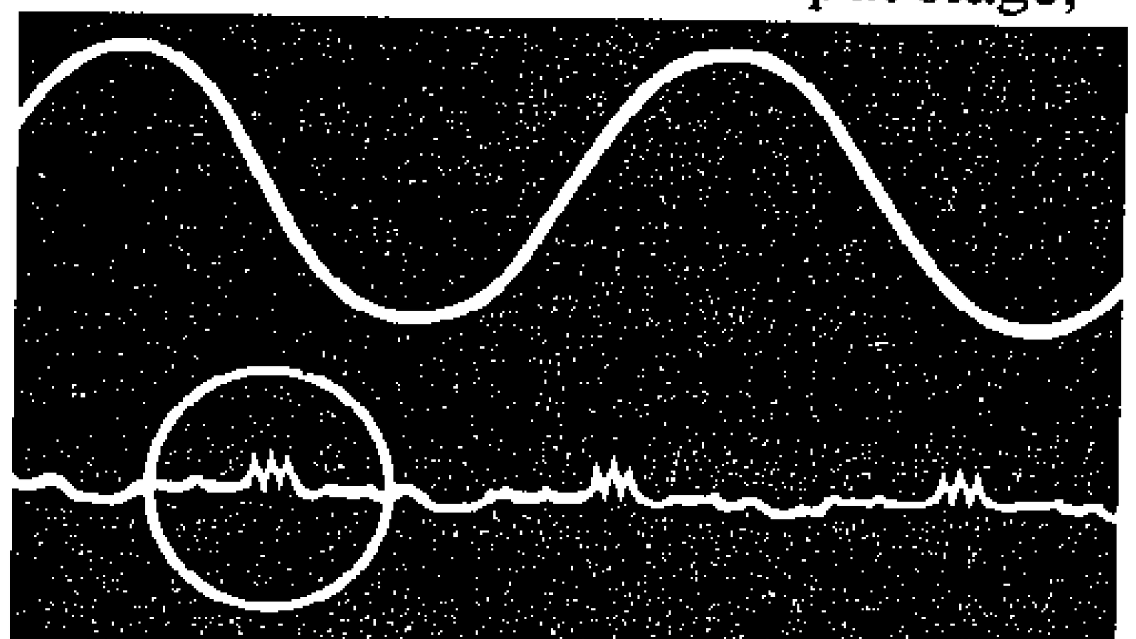
Ordinary amplifiers can switch your music off thousands of times per second depending on the frequency of the sound.

In hi-fi terms, this is known as switching distortion – a big problem standing in the way of true music fidelity. To capture the upper and lower half cycles of the musical waveform the amplifier's output stage 'switches' up and down, switching off midway and then reconnecting.

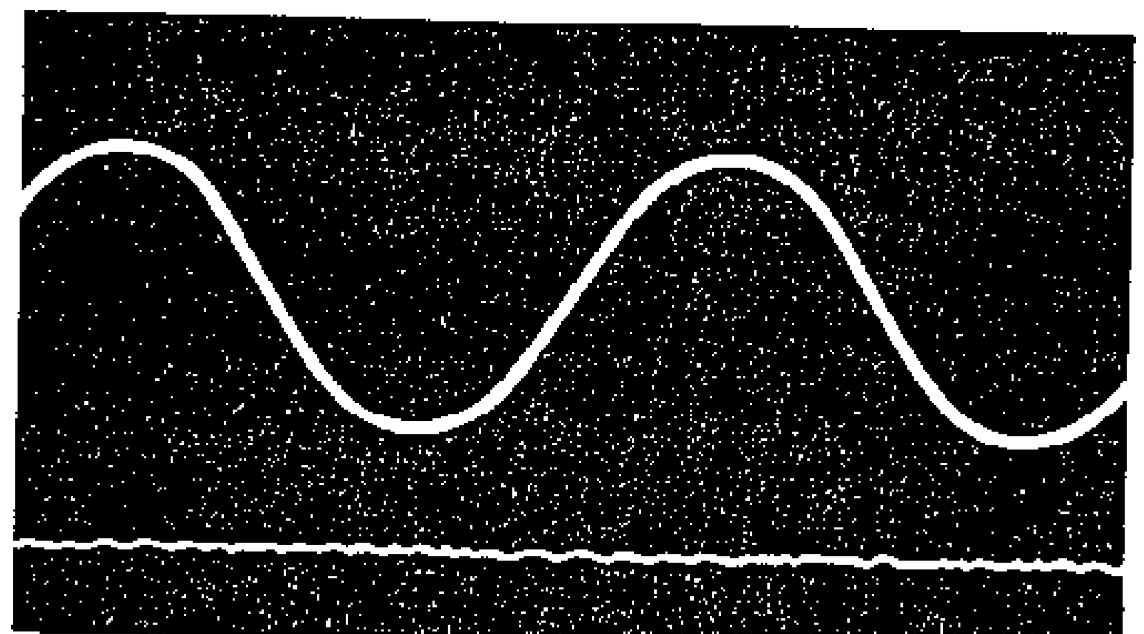
Some amplifiers overcome this distortion problem by permanently leaving their transistors on – they cost a fortune and generate enough heat to fry eggs on, and waste up to 75% of their power – high tonal quality is superb, however.

But now Pioneer have perfected that long distant dream of electronic engineering. The 'cool' non-switching amplifier – at an ordinary amplifier price.

We achieved this very simply. Instead of leaving our transistors permanently on, we created a circuit (the Pioneer Vari-Bias circuit) which simply trickles a 'bias current' into the output transistors. This keeps the amplifier cool, keeps your music switched on and delivers the tonal quality and extraordinary sound purity (as low as 0,005% total harmonic distortion) manufacturers have been striving for for decades. Other features unique to Pioneer's non-switching amps are our Super Linear R.E.T.'s – these help carry through the amp's non-switching benefits at the output stage,



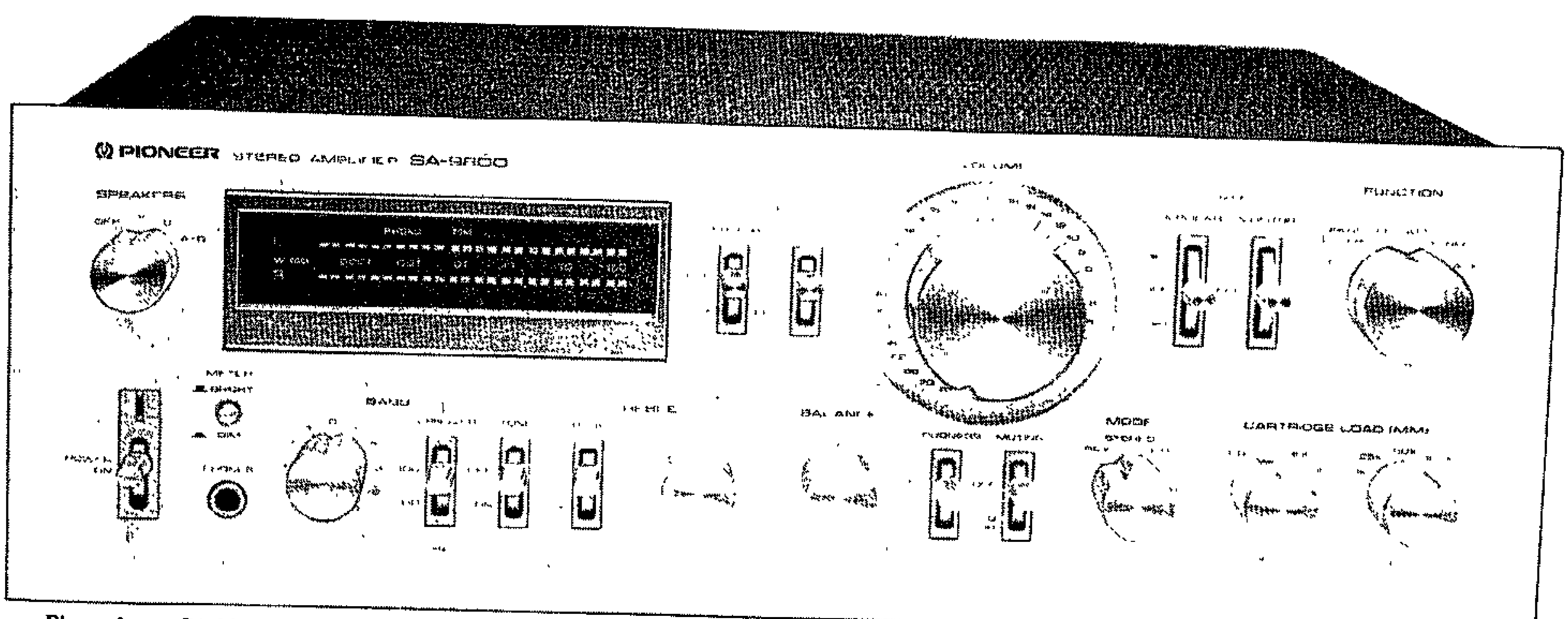
1. Output waveforms of conventional amp The distortion caused by 'switching' is circled.



2. Output waveforms of newly developed Non-switching amp Note absence of distortion Frequency 20 000 Hz. Upper Trace Output voltage. Lower Trace. Distortion.

give the amplifier much higher 'clipping' tolerances, and provide greater linearity at the top end of the frequency band. Then there are our new fast-response "Fluoroscan"® fluorescent power level meters, one for each channel. Add to this the direct coupled all DC, built-in preamp, built-in 'head amp' for MC (moving coil) phono cartridges, elaborate phono equaliser for exciting musical realism, super low noise components throughout, subsonic filter, loudness and muting switches, five position mode switches, attenuator type volume control with 32 accurate click stops, facilities for two way recording from two connected tape decks, even as you listen to another source, two turntable inputs and far, far more.

Finally, in this day and age of mass production and 'planned obsolescence' it might please you to know that every one of our non-switching amps is hand-constructed. It might also please you to know that in a recent British test against nine other amplifiers, the baby of our 'non-switching' range, the SA 7800, came an overall no. 1 in performance. Just one reason why we're the world's biggest in hi-fi. It pays to tell the truth.



Pioneer's new SA-9800 Non-switching Amplifier. 100 watts per channel, continuous, over 10 Hz to 20 000 Hz into 8 ohms, with only 0.005% total harmonic distortion. Frequency response 5—200 000 Hz + 0db—2db (Power amp.)

PIONEER®
Everything you hear is true.

THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY LIMITED

(Incorporated in the Republic of South Africa)

Directors: Commander H. F. P. Grenfell, D.S.C., R. N. (Ret'd) Chairman (British), W. J. Wilson, Deputy Chairman and Joint Managing, D. A. Thompson, Joint Managing (British), Sir Keith Acutt, K.B E. (British), Dr. F. J. du Plessis, I. Mackenzie, D.S.O., H. C. Iversen (German), R. P. Whitfield, D. G. Nicholson (British) (Alternate)

Interim Report and Declaration of Dividend

CONSOLIDATED PROFITS (UNAUDITED)

	Six months ended 31.3.80	Six months ended 31.3.79
	R000's	
Income from – mining	15 505	7 997
– industry	8 963	4 653
– other	189	763
	24 657	13 413
Interest paid	4 516	7 555
Net income before taxation	20 141	5 858
Taxation	7 296	2 855
Net income after taxation	12 845	3 003
Attributable to minority interests	4 124	1 215
Net attributable income	8 721	1 788
Dividend declared	1 649	—
	Cents per share	
Earnings	79,3	16,3
Dividend	15,0	—

CAPITAL COMMITMENTS

	Six months ended 31.3.80	Six months ended 31.3.79
	R000's	
Commitments in respect of capital expenditure	9 992	8 884

MINING RESULTS

	Six months ended 31.3.80	Six months ended 31.3.79
	(Metric Tons)	
Ore milled	1 434 372	1 430 334
Recoverable copper	13 365	13 853
Smelter production (including purchases)	12 855	14 900
Sales	14 448	17 359

COMMENT

Income from mining rose substantially during the first half of the year due to higher metal prices. Income from industry also increased primarily as a result of improved profits from Datsun.

Although metal prices could be lower, the continuing improvement in industrial profits should result in increased attributable earnings in the second half of the financial year.

Substantial loan repayments have been made during this period and as a result the interest charge is expected to continue to decline, with a resultant improvement in the Group's liquidity.

DIVIDEND

Notice is hereby given that Dividend No. 57 of 15 cents per unit of stock has been declared payable to stockholders registered in the books of the Company at close of business on Friday 16 May 1980.

The dividend has been declared in South African currency and dividend warrants will be posted to stockholders from Johannesburg and London on or about 13 June 1980. Dividends payable from the London office will be paid in British currency converted at the rate of exchange ruling on 16 May 1980.

South African Non-Resident Shareholders' Tax at the rate of 1,5615% will be deducted from dividends due to stockholders whose addresses in the register are outside the Republic of South Africa.

The transfer books and register of members will be closed from 17 May 1980 to 23 May 1980, both days inclusive.

Transfer Secretaries:
JOHANNESBURG
28 Harrison Street

LONDON
6 Greencoat Place, SW1P 1PL

W. J. WILSON
D. A. THOMPSON } Directors

JOHANNESBURG
21 April 1980

FM 25/4/80

56

INSURANCE PREMIUMS

Rough ride

Unless short-term insurers jack up their premiums soon, the industry could be in for a rough ride. Insurance experts have been sounding off about sub-economic premiums for some time.

But the problem again came under the spotlight with Guardian chairman Donald Gordon's call last week for "substantial" increases in short-term insurance premiums and more adequate statutory solvency requirements to reduce the vulnerability of the industry. Warned Gordon: "Major losses are inevitable and the industry must expect loss incidence to fluctuate above the levels experienced in SA over the past three years."

Insurers point out that successive premium cuts during the past two or three years have largely been sustained by a fiercely competitive market allied to the exceptionally low claims experience.

At the same time insurers have been able to "subsidise" the premium war because of higher profits on their investments. But then the investment outlook — whether in shares or fixed-interest securities — is not nearly as optimistic now as it was a couple of years ago.

Meanwhile, insurers are becoming more edgy over insufficient reserves being carried forward each year. As premiums have been cut so the amount being put into reserves (known as unexpired premium reserve, or UPR) has been reduced, while the actual extent of cover provided has been extended. As one insurance man puts it: "It's only when the claims come in that the chickens come home to roost."

Previously insurers simply took 40% of 12 months' premium income and carried it into reserves. But now most companies have adopted more sophisticated procedures, dividing the year up into 24ths or eighths or quarters and so on, and carrying a larger proportion of premium income into reserves as the year progresses. For example, assuming a calendar year from January to December if a company has divided its year into 24ths, it will take one 24th of January's premium income into UPR, three 24ths of February's, five 24ths of March's and so on down to 23/24ths of December's income, at the end of the year. In this way it hopes to ensure that reserves being carried forward are sufficient to meet anticipated claims.

Even so, warns Guardian's deputy GM Roger Clow, companies are reserving on significantly reduced premiums while much wider claim cover is being given.

What can be done to rectify the situation? Insurance men claim it is unlikely in the present market that companies will of their own accord push up premiums. Admits one: "It's an overcrowded market and we're all fighting to retain business." Says another: "When the claims cycle swings up and a few companies hit the fan, then rates will go up But, until then, no one wants to take the step."

Some insurance men feel a significant hike in the solvency margin is called for. At present the solvency margin (the ratio of free capital, which is the excess of assets over liabilities and is equivalent to shareholders' funds, to net premium income) is set at 10%. Although a number of the bigger insurance companies' margins substantially exceed the minimum 10% — Guardian, for example reported a 76% solvency margin — experts reckon it should be pushed up to 15% or even 20%. The matter is currently under investigation by a Solvency committee of the Insurance Association and presumably the Registrar will act on its recommendations.

Another aspect which will have to be clarified is the value at which insurers' assets must be shown in their balance sheets. Returns to the Registrar must show assets at their market value, but in their published annual reports some companies show assets at cost while others show theirs at market prices.

INSURANCE

FM 25/4/80 58

Salaried salesmen

Talk to a working man about insurance commissions and hackles rise. There was many a satisfied smirk when government stepped in and pegged commission levels. Could there be a case for scrapping them entirely?

At least one brokerage appears to have proved it possible to operate commissionless — at least as far as its reps are concerned.

The operation in question is SA May, formerly part of the Hill Samuel insurance and pension interests which got together with I Kuper and Nathan Lazarus to form Alexander Howden group, the R50m turnover a year JSE listed operation.

The advantage of the commissionless system is that the reps are freed of partisan influences, and can design policies accordingly. "Our men were free to select without pressure from the broadest spectrum of available policies," comments Bryan Melnick, MD of Alexander Howden Life Insurance.

The commissionless system has proved itself over 10 years, says Melnick. Commissions are accepted, but by the company not the reps. The reps share in the company's success and salaries can be high with the best earning an income high enough to make them top marginal tax payers.

Success yardstick is that historical lapse ratios (lapses to business written) are less than one per cent, compared with an industry average generally held to be around 10%.

Moreover, 75% of SA May's new business is repeat business. As an experiment SA May did resort at one stage to paying commissions to its reps. Performance dipped [illegible] Melnick [illegible] prepared to say about this [illegible].

Melnick does not anticipate other insurance brokers following SA May's lead. "I'm simply saying that it works for us. It may be the wrong thing entirely for another company with different personnel."

Does a regular income encourage any "dead wood" on the staff? "To a man our group writes more business than any other group in the country," is Melnick's rejoinder.

NED-EQUITY

FM 25/4/80

Faster growth

(55)

Activities: *Long-term assurer, jointly controlled by Sage Holdings and Nationale Nederlanden NV, of the Netherlands*
Joint chairmen: *H L Shill and O Hattink; joint managing directors, K W Hartwell and J A Schlesinger.*
Capital structure: *18m ordinaries of 10c. Market capitalisation, R21,6m*
Financial: *Year to December 31 1979. New business total premiums: 36,8% (31,5%). Expenses/premiums, 34,7% (33,3%). Claims premiums, 15,2% (19,4%). Dividends investment income: 22,7% (24,1%)*
Share market: *Price 120c (1979-80: high, 120c, low, 95c; trading volume last quarter, 108 000 shares). Yield 6,0% on dividend.*

	'76	'77	'78	'79
Life fund (Rm)	26 7	33 4	45 0	66 6
Premiums (Rm)	7,9	10 6	14,4	18 4
Investment income (Rm)	2 8	3 4	4 5	5 7
Total surplus (Rm)	5 6	8 2	13,0	23 6
Dividends (c)	3 5	4 5	6	7 25

Ned-Equity chalked up further solid progress during 1979 with substantial and, in most cases, accelerating growth rates in all key areas — new business, total premium income, the size of the long-term assurance fund and total assets

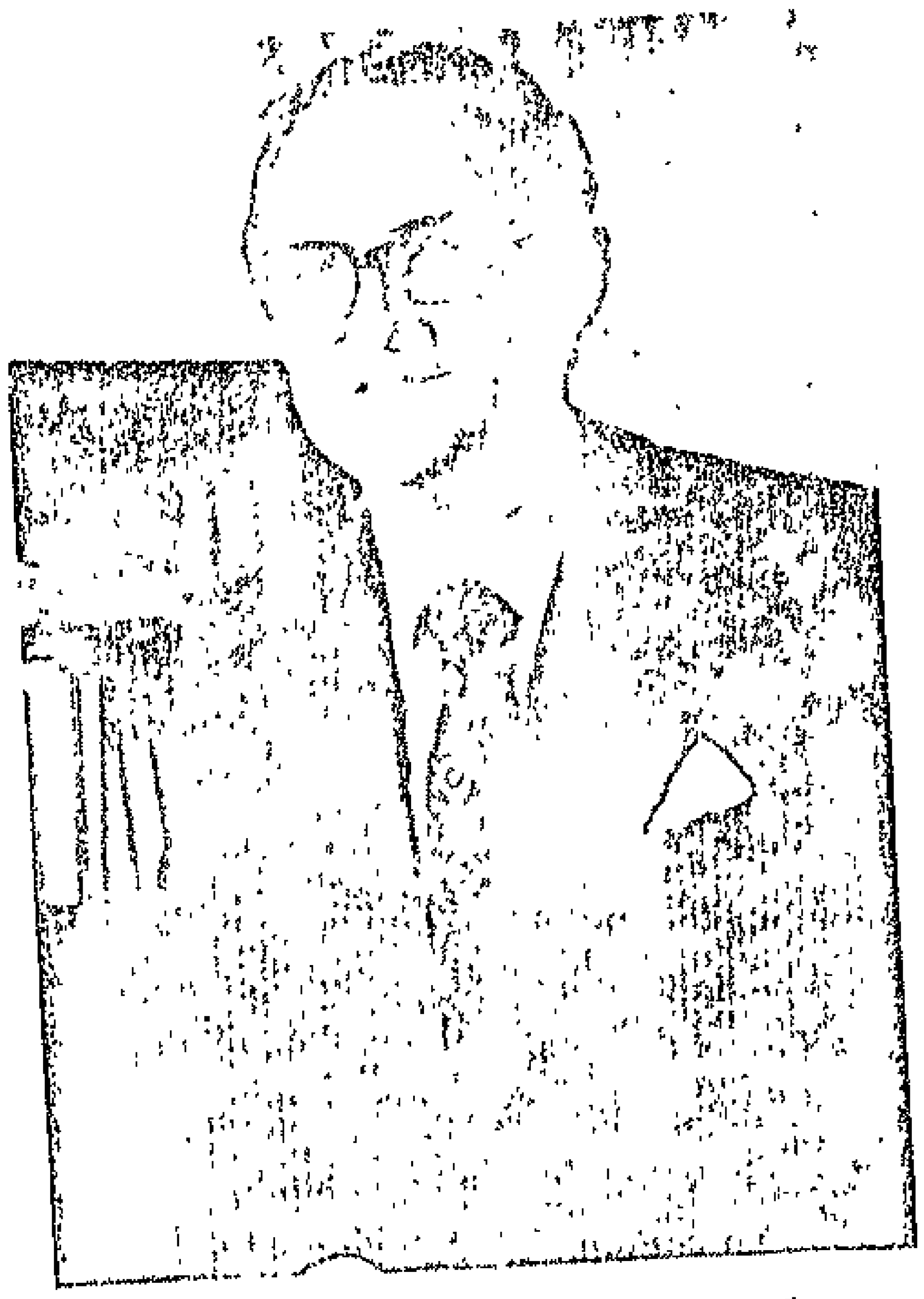
The only areas in which improved growth rates were not recorded were in investment income, up 28%, against 31% previously (probably a reflection of lower interest rates) and dividends up 21% against the one-third hike in 1978. Shareholders, however, have little cause for complaint — the payout has more than doubled in only three years, from 3,5c in 1976 to the present 7 25c, and it is reasonable to assume that growth last year was limited to what the directors consider a sustainable rate over the longer term

Regarding prospects for the current year, the directors say that although the company's fortunes do not necessarily fluctuate in line with normal cyclical trends, the current upswing in economic activity and the improvement in business confidence augurs well for continued growth

Tax cuts announced in the Budget should enhance new business prospects as the main beneficiaries are those in the higher income bracket where the increase in disposable income is more likely to find its way into savings than increased expenditure

Joint-chairman Louis Shill points out, however, that in this context there is one negative aspect to the tax cuts — the tax advantage of policies such as retirement annuities has also been reduced

On balance, however, he seems very optimistic Taxation of fringe benefits, when it comes, is expected to provide a substantial boost to the life assurance



Louis Shill . . . optimistic of improving life

industry and he is also looking forward to the inevitable reduction of prescribed investment requirements which would give individual companies the freedom to show their true investment expertise The effect of the latter on investment income would also be of interest to shareholders as there appears to be more than just a passing relationship between investment income and dividends

Over the past seven years the ratio of dividends to investment income has remained remarkably constant and last year's figure of 22 7% was virtually the same as the average for this period

This suggests that while the prime considerations dictating dividend policy will remain the plough-back into the life fund, necessary to ensure the competitiveness of group policies and future development, an enhanced investment performance would also reflect in future dividend growth

For the current year a payout of between 8.75c and 9c seems possible, giving a growth of 21%-24% on 1979's 7.25c The prospective yield of up to 7,5% is probably as much as one percentage point more than for Liberty Life and the share at 120c thus appears to have further upside potential

Evan Thompson

FM 25/4/80 (58)

NEDBANK

Setting the pace

Competitors aiming to beat Nedbank's first-half 34,7% earnings advance will have to run pretty hard And as things appear at the moment, the pace is not going to let up during the second six months.

For the record, first-half taxed attributable income rose to R27,4m, compared with R20,3m in the corresponding period of 1979, and R47,4m for the full year.

In general terms it was only to be expected that Nedbank would show a solid first-half advance. Short-term interest rates have been falling steadily, which helps the bank as it relies for proportionately more of its funds on borrowings. But that is far from accounting for the whole of the interim performance.

Interestingly, the balance sheet reveals only a 1,1% rise in advances, bills discounted and other accounts to R1 381,3m (R1 366,1m) over the period. The expected consumer spending boom has yet to build up a full head of steam, while personal and corporate savings have risen substantially.

On the other hand, as users saw the advantages of financing through lower-cost acceptances, Nedbank's acceptances on behalf of customers rose sharply from R508,6m to R756,1m. Margins on this business are about 1,8%, pointing to a pre-tax earnings contribution of about R6m from this source.

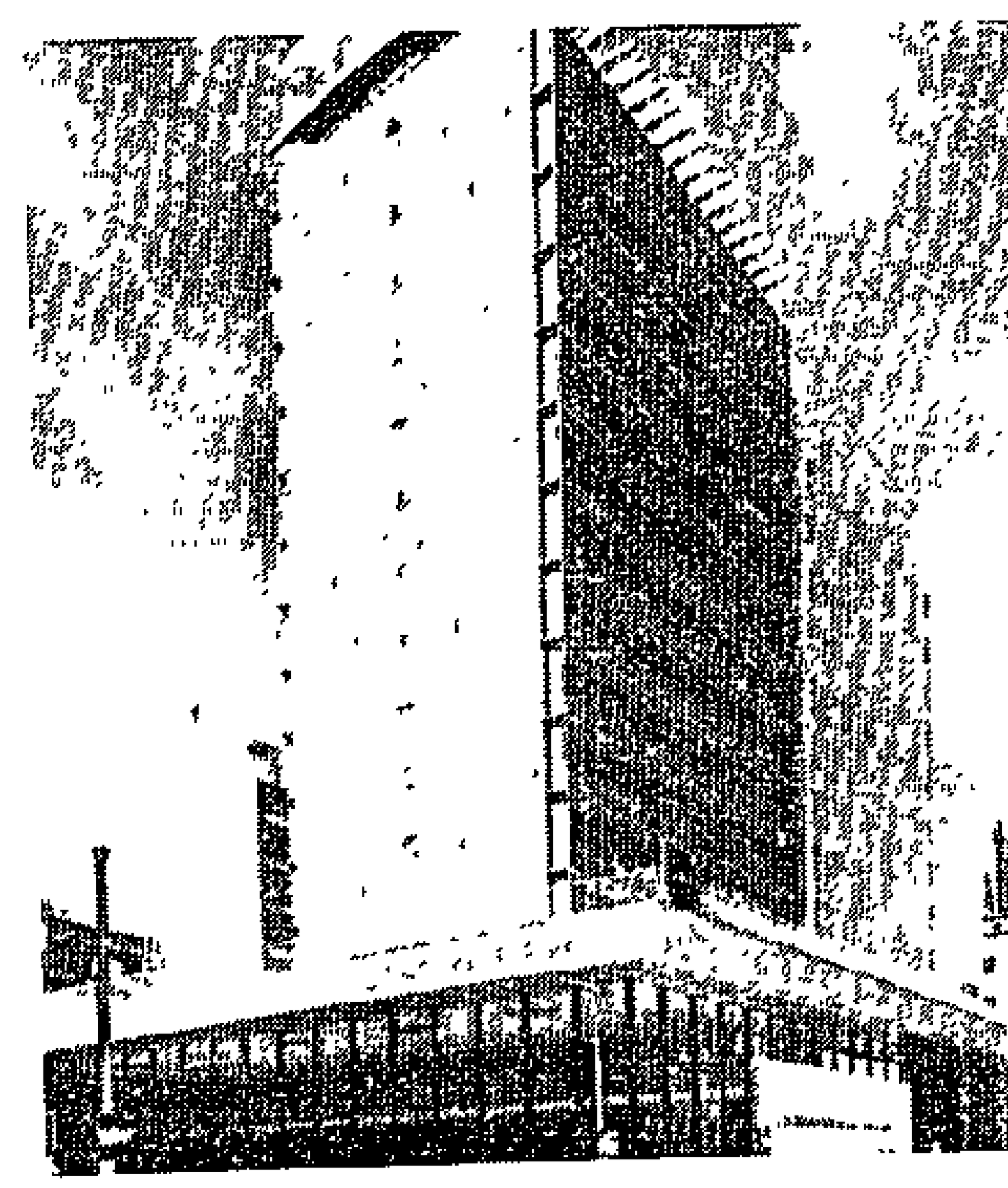
Where is the group headed during the second half?

There are problems which could arise, though they are not insurmountable in the near term. For a start, Nedbank is probably quite close to its lending ceilings, and that despite the fact that ceilings were recently increased 6% by the Reserve Bank. With a ratio of deposits to shareholders' funds of only 10,9:1 at end-March, compared with the statutory 16,6:1 maximum, Nedbank theoretically has the capacity to increase its lending base, but lending ceiling considerations act as a constraint.

Then there is the recently announced 12% forward dollar discount. That could easily slow growth in local acceptances as borrowers switch to overseas sources of finance. At this stage it is hard to tell what the effect will be during the current six months, but it is unlikely to result in any major decline in acceptance activity. In any event, too serious an impact could result in the Reserve Bank narrowing the forward dollar discount again.

On the other hand, a reduction in acceptances would mean ability to increase other advances if lending ceilings are a major constraint. In addition, there are opportunities for financial disintermediation — in other words off-balance sheet financing with increased contingent liabilities. At end-December, according to Nedbank's BA9 report, contingent liabilities had only increased to R126m, from R125m at end-June. Percentage increases over the same period were substantially greater for other banks, notably Barclays and Volkskas

At the half-way stage Nedbank is generally more conservative in its distributions



Nedbank . . . heading for better things

than at year's end. And the group usually reports better second-half earnings than first. It seems unlikely that the pattern will be disturbed this year or next, and it is reasonable to estimate that growth in reported second-half earnings per share will at least match that of the first half.

From first-half earnings of 31,0c (23,4c) an 11c (8,5c) interim has been declared. Second-half earnings will probably run at around 41c, indicating a final dividend of 25c. At 575c, the share yields a prospective 6,3% and it still looks good value.

Jim Jones

Sanland pays more and buys more properties

(58) CT 25/4/80

SANLAND showed a net increase of R17 246 in its income for the six months ended March compared with the corresponding period in the previous year. The net distributable income was R730 292 and the interim distribution was increased by 0,06 cent per unit to 2,43 cents per unit.

Mr Etienne le Roux, director of Sanlam Property Trust Managers, disclosed that the net income from fixed property companies had increased from R634 637 in the first six months of the 1979 financial year to R691 328 in the six months ended March, 1980.

This 9% increase reflected higher earnings on existing property investments, as well as income on new properties bought.

During the first six months of the current financial year two new properties were added to the portfolio of the trust: a distribution depot in East London, which was bought for R380 000, and an industrial building in Durban for R841 000. Negotiations have been concluded to purchase a block of flats also in the vicinity of Durban, for about R800 000.

The switching of interest-bearing investments to fixed properties, coupled with lower rates of interest has resulted in a decrease of R28 736 in Sanland's interest income.

The income from new property investments is, however, expected to more than make good the loss in interest and the management company also expects that the increase in the capital value of the new properties will eventually exceed by far the capital loss suffered on the sale of the securities.

Higher service charges resulting from increasing stock exchange prices were mainly responsible for the increase of R10 709 in expenses.

The income for the second half of the year is expected to exceed that of the first half as additional rental income based on the turnover of tenants will be included.

Turnover rental is the most variable component of the trust's income and any increase or decrease for the year will therefore be reflected mainly in the final distribution.

The trust had a total net distributable income of R1 729 379 in its 1979 financial year and a total distribution of R5,76 cent per unit was made.

IMF warn

Unit trusts

JOHANNESBURG. — Yesterday's quotations for Mutual Funds (with previous prices in parentheses) are

Buyers, sellers, yield

SA Growth: 329.89 (328.22), 305.99 (304.44), 4,70 (4.72)

National Growth: 190,13 (187,86), 177,52 (175,40), 3.68 (3,73).

SA Trust: 136,95 (136,11), 127,78 (127,00), 4,38 (4,41)

Old Mutual: 305,39 (302,93), 285,57 (283,27), 4,33 (4,36).

UAL: 318,82 (316,26), 300,72 (298,31), 4.77 (4,81)

Sanlamtrust: 292,73 (290,32), 273,43 (271,18), 5,26 (5,30).

Trust: 92,85 (92,47), 86,64 (86,29), 4,63 (4,65).

Santamgro: 130,13 (128,09), 121,44 (119,54), 5,30 (5,39)

Syfrets Inter Growth: 93,38 (92,63), 88,06 (87,36), 5,79 (5,83)

Guardbank: 292,99 (291,22), 275,76 (274,10), 4,32 (4,35)

Standard: 199,34 (198,70), 189 ' (188,35), 4,61 (4,64)

Standard Income: 1 (100,56), 98,15 (98,15' (10,14) — Reuter

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BUSINESS MAIL

5% growth and over 13% inflation seen by Sanlam

7?0 (3)

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

	Internal	External
(1)	(2)	(3)
1b(ii)	11½	
2a	20	
3b	9	
4c		
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Examiners Initials		

...ks, notes, pieces of paper or other mate-
...y be brought into the examination room
...candidates are so instructed.
...ates are not to communicate with other
...ates or with any person except the invi-
... of an answer book is to be torn out.
...wer books must be handed to the com-
...er or to an invigilator before leaving the
...ation.

and to possible exclusion from the

(58) NM 28/4/80

Free economy 'can't last without blacks'

African Affairs Reporter

THE FREE enterprise system could not survive in South Africa without the rapid involvement of black entrepreneurs within the system, Mr P G Gumede, president of Inyanda Chamber of Commerce, said at the weekend

Addressing more than 50 representatives of white companies at the 16th annual conference of the Inyanda chamber held in Durban, he said the Government policy since the days of slavery had imposed severe restrictions and limitations on black participation in the economy.

Under the circumstances it was impossible to develop true economic partnership between black and white in structuring 'our modern economy', he said.

The black man had been inevitably developed into a dependent proletariat conditioned to expecting the white man to do everything for him.

It was heartening to observe that the Government and private sector had begun to play a more positive role in the development of black entrepreneurs in South Africa

He said one of the major handicaps of black economic development in South Africa had been the Government policy which was traditionally oriented against the creation of a black middle class especially in the urban areas.

Wool Board loses R½-m in ailing bank

STAR 29/4/80 (58)

By Tom Duff, Political Reporter

The Wool Board has lost more than half a million rand through investing R3-million with the ailing Rand Bank only months before it went into curatorship.

The Star revealed last week that losses totalling hundreds of thousands of rands have been suffered by six black administration boards which invested millions in the bank.

Opposition MPs are to probe the board's losses.

Investments by some administration boards in the Rand Bank are already due to be investigated next month by the Select Committee on Public Accounts, Parliament's watchdog on Government spending.

The Auditor-General's report on the Wool Board, which was tabled in Parliament yesterday, shows the board lost R620 696 in interest.

Investments of R2-million and R1.07-million were made on November 5 1976 and December 21 1976. The bank was placed under curatorship on February 1 1977. The board has obtained most of its capital back, but suffered large losses in interest.

Mr Rupert Lorimer, an Opposition spokesman on agriculture, said today that the select committee should also investigate the Wool Board's investments.

"We intend getting to the bottom of this," he said.

Some observers have claimed that by September 1976 it was clear that the bank was in difficulties. Therefore, investments of millions by the Wool Board in November and December of that year and by the East Rand and Port Natal administration boards in January 1977 can be expected to be scrutinised by Opposition MPs.

Other administration boards known to have invested with the bank are those for the Vaal Triangle, the Western Transvaal, Midlands and Southern Free State areas.

H, TUESDAY, APRIL 29, 1980

~~3-Wool~~ 58

Board loses thousands

THE ASSEMBLY — Another government board has lost hundreds of thousands of rands in interest through investing in an ailing bank only weeks before it was placed under curatorship.

Last week it was revealed that several administration boards had lost vast sums of money in interest and capital through similar investments.

Now, the Auditor General's report on the Wool Board has revealed it lost R520 696 in interest — more than any of the other losses disclosed up to now.

In his report tabled in Parliament yesterday, the Auditor General, Mr W. G. Schickerling, said the losses had not been fully accounted for and "at the time of writing ministerial approval was obtained only for the write-off of capital amounting to R92 100 and interest amounting to R90 579."

In none of the reports so far has any banking institution been named but it appears the Rand Bank, which was placed under curatorship on February 1, 1977, might be involved.

Officials of various administration boards have been called to appear before the parliamentary select committee on public accounts to give evidence on the investments.

In his report yesterday, the Auditor General said the Wool Board had made two investments weeks before the bank was placed under curatorship.

"Investments of R2 000 000 and R1 070 000 made on November 2, 1976, and December 21, 1976, at a banking institution at interest rates of 12 per cent and 13,25 per cent matured on July 20, 1977, and February 1, 1977.

"The loss of interest on these investments, calculated at the initial interest rate on outstanding amounts to the day of maturity and thereafter at 11 per cent according to the prescribed Rate of Interest Act, amount to R520 696 to October 10, 1979," said the report. — PS.

Bankorp wins R160m deal for Atlantis

(58)

RDM 29/4/80.

Financial Reporter

BANKORP, led by Trust Bank, has landed a R160-million leasing deal for the Atlantis diesel engine project.

The banking group will also pick up further business from working capital and short-term loan needs of Atlantis.

A statement said that, subject to formal final approval from Atlantis and the Industrial Development Corporation, "the Bankorp consortium, with Trust Bank as lead bank, has been selected for further negotiation for the leasing/financial package for the ADE plant and equipment at Atlantis.

"The value of the plant to be leased is approximately R160-million. In making the decision, various factors were taken into account.

"Some of these are :

- "Favourable fixed leasing rate resulting in the lowest lease payments to ADE over a 10-year period.
- "Flexibility with respect to commissioning dates of plant and structuring of lease at time of commissioning of the plant.
- "Stand-by credit and overdraft facilities for the project.
- "Security required."

The statement said: "Although various offers may have had more favourable individual aspects, taken as a whole, the Bankorp consortium proposal was adjudged the most favourable to ADE."

Atlantis is expected to cost about R280-millionn to R300-million to set up altogether.

It will produce diesel engines through Perkins and Mercedes, starting with assembled kits from about mid-1981 and going through to maximum local content around 1984.

R511m loan bonanza for the Treasury

(58) RDM 29/4/80.

Financial Editor

THE TREASURY has scooped in R511-million from its two loan stock issues.

Allowing for conversions of R337-million from a short-term loan which matured on April 15, that leaves R174-million of "new money".

The Public Debt Commissioners, however, subscribed R40-million of this for the latest short-term issue.

The new short-term loan was pitched at 5% and the long-term issue at 9,25%.

Subscriptions and conversions for the three-year stock totalled R404-million with the long-term pulling in R107-million.

The response to the loans seems highly sastisfactory from the Treasury's view.

When the terms were announced two weeks ago, there was a belief among some money and capital market experts that the loans would not, even together, attract support to match the R337-million maturing stock.

This was because, it was said, the rates were finely pitched at a time when the market was anticipating a rise in rates.

However, the Reserve Bank decision to send the forward dollar discount bounding up from 2,5% to 12% eased the pressures on financial markets and probably helped the loan issues.

The R107-million long-term subscription has surprised those who thought the institutions would hold back almost entirely because of their excess prescribed requirements.

Senator Horwood, the Minister of Finance, has overall made a useful start to his 1980-81 borrowing programme.

For the year he is looking for R850-million from reinvestment of loan redemptions and R600-million from new issues

That is apart from R1 650-million expected from the PDC.

Bill changes HP agreements

RDM 30/4/80

(58)

THE ASSEMBLY. — The Deputy Minister of Finance, Mr Pietie du Plessis, has introduced a Bill which provides for significant changes in money lending, hire purchase and leasing agreements.

The Bill, published and read a first time this week, amends the existing definition of "finance charges" in order to apply the definition to leasing transactions and to stipulate in the definition the costs which do not rank as finance charges for the purposes of the Act.

A new section is introduced by the Bill to restrict the practice by which some moneylenders, when granting a loan, require the borrower to pay immediately to the moneylender, as finance charges or as reduction of the principal debt, a portion of the sum of money received from the moneylender.

In such instances finance charges are calculated on the full sum of money originally paid to the borrower.

The effect of this practice is that the moneylender receives finance charges at a higher rate than that which may be demanded on the portion of the loan actually retained by the borrower.

The Bill also confers upon a borrower, a credit receiver and a lessee the right to pay in full, before the agreed date, a debt which is payable by instalments over a period in the future.

Such payment does not affect the rights acquired by a debtor in terms of a transaction.

The termination of a leasing transaction as a result of the failure of a lessee to honour his obligations under such a transaction is also regulated by the Bill. It requires the lessor to determine the money value of the leased property on the date of termination of the transaction and to advise the lessee in writing of the value so determined within 14 days after the date of termination.

At the commencement of a leasing transaction the lessor is required to estimate the money value that the leased property will have on the date of the expiry of the transaction. The present value of the money value so determined is then used by the lessor to calculate the principal debt of the transaction.

If the actual end value is more than the value determined at the commencement of a transaction, too large an amount will have been recovered by the lessor from the lessee. Where the end value of the leased property is more than the estimated value at the beginning of the transaction, the difference must be refunded to the lessee.

The Bill also provides for the definitions of "credit card," "credit card holder" and "credit card scheme". They are necessary as credit granting by means of credit card schemes is brought within the ambit of the principal Act. — Sapa.

'Bank for black states is needed'

107

58

(AM 30/4/80)

THE ASSEMBLY. — Plans for the establishment of a multi-national development bank to assist the homelands were important, and the bank should give preference to helping these territories, the Prime Minister said yesterday.

Such a bank should be under a good directorship and should give attention to granting loans for development as well as other loans to those states.

The idea of his Carlton Centre talks with business leaders was to see how the private sector could assist in the development of the black states.

"But we must go further and be prepared to establish permanent secretariats to consider how co-operation can be further promoted," Mr Botha said.

His visit to the homelands and Soweto were not aimed at creating expectations among those people but to acquaint himself with their problems.

What was needed was a co-ordinated plan for the economic development of these states. For this to be a success, however, the assistance and co-operation of the black leaders was essential.

The private sector should also have guarantees that their businesses would not be nationalised by black leaders.

Mr Botha said he had personally conveyed this message to black leaders. — Sapa.

GENERAL NEWS

Ailing banks cost Govt close to R1-million

STAR
30/4/80

(58)

(~~332~~)

(~~250~~)

Tom Duff, Political Reporter

CAPE TOWN — The Motor Vehicle Assurance Fund has lost about R130 000 in interest on investments with Rondalia Bank, which was placed under curatorship in November 1976 due to liquidity problems.

This brings the amount known to have been lost by Government bodies through loss of interest on investments with ailing banks close to R1-million.

And according to the Auditor-General's report on the MVA Fund, Rondalia Bank still owed the fund about R300 000 at the end of April last year.

The fund invested R750 000 with the bank in 1976. However, the bank went into curatorship in November of that year and interest rates were cut.

The Wool Board has lost more than half a million rand through investing R3-million with the Rand Bank only months before it was put under curatorship.

Losses totalling hundreds of thousands of rands have been suffered by six black administration boards which invested with the bank.

INVESTIGATION

Two boards — those for the East Rand and Port Natal Areas — invested about R1-million each in the bank only about three weeks before it was placed under a curator on February 1, 1977.

Investments by some administration boards are to be investigated next month by the Select Committee on Public Accounts — Parliament's watchdog on government spending.

Mr Philip Myburgh, Opposition spokesman on agriculture, said today the Wool Board's half a million rand loss raised a new set of questions, not only regarding the board itself, but all other agricultural control boards.

These boards were entrusted with large sums of money by farmers. For any agricultural control board to lend money to non-agricultural finance institutions was highly irresponsible and showed a complete disregard for farmers' needs, he said.

"The obvious bank for agricultural control boards to invest in is the Land Bank — the bank that has no other purpose than financing agriculture.

"During the Agriculture Vote this matter will certainly be dealt with and I expect the Minister to come up with clear answers."

Mine lives not covered

By JOE THLOLOE

THE LIVES of the people largely responsible for the country's present prosperity, the black miners, are not insured.

All their families get if they die in accidents on the mines — as happened when 81 plunged to death at Vaal Reefs Gold Mine recently — are payouts in terms of the Workmen's Compensation Act.

Whites are also paid out in terms of this Act and get an additional R10 000 life cover.

And a Chamber of Mines official told *POST* this week that the average payout to white miners in terms of the Act is five times that paid out to black miners.

POST investigations followed the announcement that the families of the 28 blacks killed in the shaft accident on March 27 would be paid in terms of the Act.

The Rand Mutual Assurance Company is the Chamber of Mines' compensation agency under the Act and covers 584 000 blacks and 68 000 whites.

There are 652 000 miners in the companies in the chamber, which represents 90 percent of the mining industry.

According to a Department of Mines report last year, 877 people died in mine accidents in 1978 and 654 in 1977.

In 1978, 24 772 people were injured and 20 381 the year before.

The manager of Rand

To Page 2

Miners' lives not insured

From Page 1

Mutual, Mr W Molteno, said compensation was related to earnings and the size of the family of the victim.

If a miner with three children died in an accident at work the family would be paid a monthly pension of 75 percent of the victim's monthly salary.

The salary includes earnings in cash and in kind.

The family also gets R400 towards funeral expenses and the widow gets a lump sum of two months' salary, or R300, whichever is smaller.

If the man's family is smaller, the pension is smaller, and if the family is bigger the pension is bigger, but not more than 100 percent of the victim's monthly pay.

In the case of disablement, the pension depends on the degree of disablement.

This compensation is for both blacks and whites.

Mr Molteno said the present wage gap — "in fact, we should call it the skills gap" — in the mines is 7-to-1 in favour of whites.

The average cash wage for black underground workers is R150. They get another R60 a month in kind.

MARRIED

"Besides this, we find that most whites killed or injured in the mines are married and have families, while the blacks are single," Mr Molteno said.

These are the reasons for the disparity between white and black compensation.

White miners, however, have a life cover of R10 000, according to another chamber official.

"The miner contributes R4,80 and the company another R4,80 a month for the premium," said Mr Chris Cairncross of the chamber's public relations office. "This covers the miner for R10 000."

Mr Cairncross said the chamber did not have a group life cover for the miners, but believed some companies might have. He said we could check this with the various members of the chamber.

But when we phoned the public relations department of Vaal Reefs, Mr Les Bruns said his company did not have such group cover.

"As far as I know, you will not find it at any mine," he said.

Workers in other industries generally have pension benefits which are tied to life cover.

Most black mine workers are contract labourers and do not have pension benefits.

Move to change policy

CT 1/5/80

58

THE Boland region of the Afrikaanse Handelsinstituut has initiated a move which could lead to coloured businessmen being admitted to the institute.

The chairman of the institute's Boland regional committee, Professor I J Lambrechts, confirmed this week that opinion would be tested on the question in the region.

A decision to do so was made by representatives attending the region's annual general meeting in Cape Town on Monday night.

Opinion would be tested by a questionnaire sent to the branches (*sakekamers*). There were about 30 in the district.

Professor Lambrechts said that when opinion had been fully tested, the matter would be refered to the institute's highest governing committee for a decision.

Reply on wool funds queried

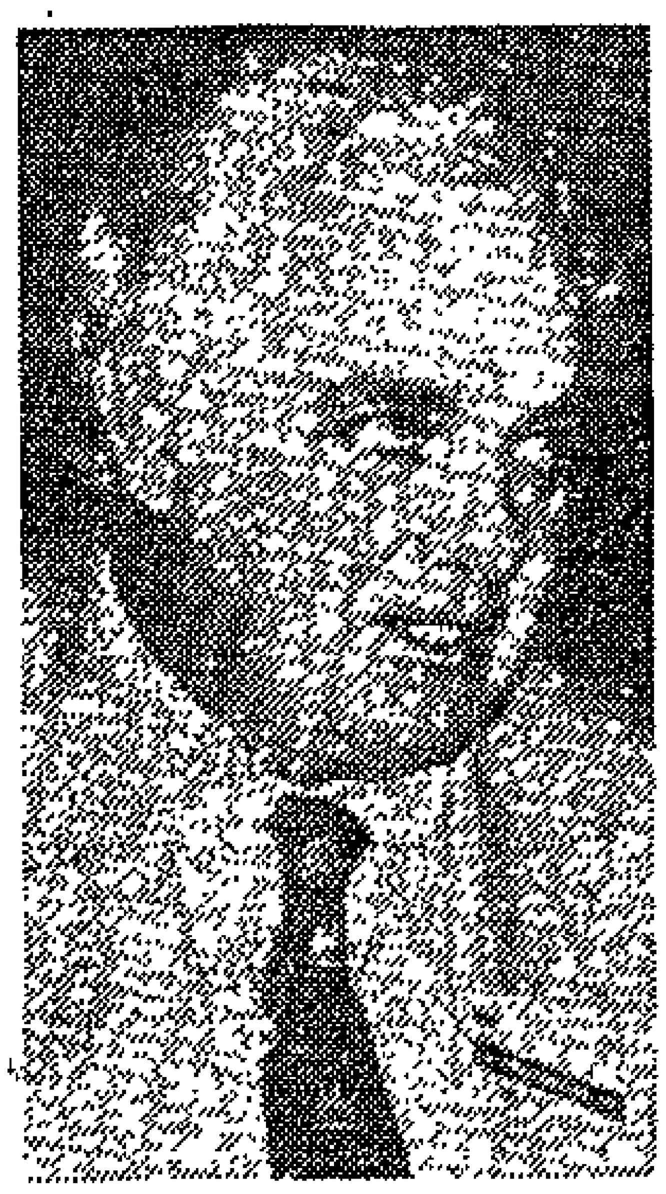
DD 1/5/80

58

CAPE TOWN — The Auditor-General's report on Wool Board investments was different from a reply given by the Minister of Agriculture, Mr Schoeman, in the House of Assembly earlier this year, Mr John Malcomess (PFP, East London North) said yesterday.

"It can clearly be seen in the reply that I was informed that all interest due was paid while the funds were invested.

"In the latest financial report of the South African Wool Board we are informed that interest on funds which matured during the financial year concerned was not paid and that large losses have been incurred.



MR MALCOMESS

"I intend, as the chairman of the Select Committee for Public Accounts, to have this matter discussed by this committee," Mr Malcomess said.

On February 29 this year, Mr Schoeman said in reply to a question by Mr Malcomess that funds invested over the short term had been disposed of partly as agterskot payments to producers and the remainder had been added to the Wool Board's stabilisation fund.

Asked whether all interest due was paid while the funds were invested, Mr Schoeman said: "Yes".

Asked whether the Wool Board had suffered any financial loss, Mr Schoeman replied: "No".

In the Auditor-General's report on the Wool Board, it was disclosed that interest losses on investments amounted to R520 696 up to October 10, 1979.

It was also reported that these losses had not been fully accounted for. — PC.

CT 2/5/80 (58)

Insurance industry urged to aim at price control

By PAUL DOLD
Financial Editor

THE MANAGING director of Mercantile and General Re-insurance, London, Mr Julius A S Neave, told the Insurance Institute's national conference in Cape Town yesterday that the world-wide insurance industry should introduce rules aimed at controlling price competition and thus avoiding the disasterous price wars which hurt both insurer and insured.

He warned that "unless the industry can demonstrably convince both the insuring public and the authorities that its performance is beyond reasonable criticism then it can expect the intrusion of governments to become intolerable.

"This would extend from outright nationalisation to the sort of control that would much more easily have been effected by self-regulation and would therefore be avoidable.

"Ideally achievement of this (regulation) should be on the industry's own responsiblity and undertaken on their own initiative without the interference of government

He called for a gradual approach with the changes being introduced by degrees, each market adapting its traditional methods of pricing and moving towards uniformity regulated by an acceptable authority

This would require the utmost co-operation among insurers and also brokers, agents and others who make up the market structure.

Examining an opposing view Mr Neave said that many would argue against price control suggesting that orthodox commercial pressures and the laws of supply and demand have proved to be the most effective regulators and that damaging company failures have been few and far between

"The fact is however that the complexity in today's international insurance and re-insurance process has reached the point where there exists a real inter-dependence between the insurance markets of the world Indeed no single economy can any longer carry its own disasters without assistance from outside That this intricate process should be carried on devoid of co-ordination amongst insurers is no longer sensible

"Self regulation is clearly the preferred solution, initially by individual markets but eventually at an international level However the will must be there No one would pretend that controls can be fair to all but in the society which we live in price regulation is likely to do the most good for the greatest number

"What seems certain is that private insurance as we know it will be seriously jeopardised if some future collapse should reveal as well it might some fatal flaws arising from the failure to accept the need for self regulation "

In the event of continued unbridled price competition all the various alternative possibilities which could follow a future cyclical downturn would be far less appealing than self regulation

No Government in today's climate would be able to stand by inactive if public attention is drawn to the indsutry's failure or inability to regulate its own afairs.

Self regulation adopted in some of the world's more important markets would ease the growing dilemma that faces government supervisors in protecting the insuring public

The insurance risk continued over a country's borders with insurer and reinsurer under different supervision from the original company. An underpriced product would have international repercussions and this made the case for regulation even more pressing if free enterprise was to be allowed to stay free.

Price control in the market would have to be firm and authoritative. Firstly those allowed to carry on insurance business would have to be controlled with the approved rate without unauthorized deductions charged by all.

"In all practice it would seem logical that the issue of licenses to insurers should be a governmental responsibility."

Turning to the element of choice as the main constituent in healthy competition Mr Neave said the prudent insured would be more concerned with security and the scope of protection that with mere price In practice it was the advice and service received from the proposal stage through to claim settlements, to renewals and all other contact with his insurer that determined a good relationship.

"It is service that wins friends for insurers and influences their supporters far more than price competition can ever do. If service is costly lack of it is far more damaging to insurers in the long run.

"Not only do price wars often end in some degree of disaster but they give the industry a bad name and invite unwelcome official attention "

R100 and R120.

The theme of the annual conference was "The expense factor in insurance" and Mr Buckland said the main expense in both insurers and brokers offices was staff salaries and related costs. Improved productivity, mechanisation and motivation where the key factors in improving the existing position.

Another major proposal he made was that brokers and insurers should agree on the basic market wordings for the important classes of business. While there was a wide range of wording in the industry the actual practical differences were small and standardization would allow greater use of the computer to cut costs.

Mr Buckland called for the insurance companies and brokers to set up a joint committees to work out implement these improvements He also suggested

- Country district services be streamlined and a better deal offered to the consumer especially in the claims area
- When dealing with major clients, the industry had to use better qualified staff who could communicate on equal terms with client executives.
- While the needs of the man-in-the-street were well cartered for with all risk and comprehensive type insurance, systems had to be fully computerized and consumer needs continually monitored
- Medium to small businesses required packaged insurance and the personal help when claims occured

Sage sees Schachat boost

~~232~~

58

RDM 2/5/80

~~332~~

Financial Reporter

SAGE Holdings expects to benefit this year from the housing boom through its subsidiary Schachat

The Sage annual report shows, surprisingly on the surface, that Schachat incurred a loss in 1979

But it points out that that "construction profits are only taken on occupation of new homes which generally occurs from six to nine months after a contract has been signed

"Schachat's adverse results for the first half of the past year reflected the poor sales and low margins on trading in 1978

"Although demand for new homes began to show a meaningful improvement from mid-year, results in the second six months of 1979 continued to be affected by poor sales in the early part of the year "

The report reveals that Schachat's home sales were approaching R30 million last year as they did in 1976 after slipping below R20 million in 1977 and 1978

So Sage can expect a solid profit contribution this year from Schachat

However, the directors caution that "serious shortages in labour and materials, notably bricks, have developed which will have an adverse impact on anticipated profitability"

Among other points in the report are

- It is expected that the group may be subject to a higher overall incidence of taxation in 1980
- The directors note that "the 1979 financial statements reflect significant growth in the group's total assets to R136 million at the yearend, a substantial improvement in its overall financial structure and satisfactory borrowing ratios which make it possible to pursue the further development of the entire group from a strong financial base"
- "If managed funds under the group's control are taken into account, the total net taxed income generated under the management of the group now exceeds R18 million a year "

5 lay charges against cops

Post
21/5/80

Five people yesterday laid assault charges against policemen who baton charged them inside their homes after 860 students were arrested at Westbury High School earlier this week.

All four women and a young man were helped early yesterday morning by volunteers of the Women for Peace movement to draw up statements before going to the police station at Newlands.

CRIPPLE

Mrs Sybil Brown (49) claimed she had allegedly witnessed the police beat her cripple daughter. The girl, Lovel, had been hospitalised for 18 months at the age of 14 and was now "completely inactive".

Another woman, Mrs Loraine Donson, was beaten over the back by riot police who pursued three fleeing students through her flat, she alleges.

A 20-year-old youth, Brian Smith, was in his home when police attacked him from behind with batons and then allegedly kicked him in his privates. He limped into the charge office to state his case yesterday morning.

Two other women allege they were beaten inside the houses for no apparent reasons. Mrs Caroline Manuel and Mrs Margaret George claim they were run over by police who crashed through their doors.

It is not known whether the cases will appear before a court.

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Date ....

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EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered); leave columns (2) and (3) blank.

	Internal	External
(1)	(2)	(3)
4c	5	
Examiners' Initials		

NOTE CAREFULLY

1. 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.
2. 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.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.
4. Do not write in the left hand margin.

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.

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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ROBIN PLUMBRIDGE

58 FM 2/5/80

From drop goals to gold

Although rivalry between Gold Fields of SA and big brother, Anglo American, is acute, GFSA's new chairman, Robin Plumbridge, is hardly the man to stir what is sometimes a hornets' nest.

Even the recent rumblings that Anglo might indeed extend its 25% stake in Cons Gold (which controls GFSA) to 29,9%, illicits a mere "they've said it before. They're not bidding for control. It's merely a reiteration of their initial statement."

Since this would affect GFSA, would he care to comment further? "The position is entirely status quo. We'll continue operating as an independent mining house."

And Plumbridge means it.

He appears slightly nervous, rubbing his chin, folding his hands, but he's nevertheless in control. GFSA and he are an old working pair and, as a chairman ought to, he reflects the image of SA's second largest mining house.

At worst he could be the epitomy of a Wasp — White Anglo Saxon Protestant — he's ex-St Andrew's College, Grahamstown, and an Oxford true blue, but at best he's the soft-spoken son of a banker who, per chance, was employed by GFSA.

"When I left school I had a yen to go farming. But as an impecunious student after finishing my maths degree at Oxford, I wrote to various companies asking for employment. GFSA offered, firstly to employ me and, secondly, to pay my way back home. I couldn't refuse," and he laughs heartily looking round his plush executive office — 23 years on.

His big build which, at 45, lacks the vitality that must have been apparent in younger days, still reflects his active sporting career — three years as an Oxford rugby blue and one season with Britain's invitation Barbarians side and, to crown it, a keen cricketer.

As though the image doesn't quite fit him, he's taciturn about his sporting career — or it may be a weak attempt to conceal a sense of pride and enjoyment of student camaraderie.

But it's from drop goals to the gold price. His projections are carefully weighed up (thousands of shareholders will read them) and he repeats his thoughts to avoid any misunderstanding "I hesitate to project — the market is very delicate right now. It's a crazy mixed up market but there could be a continuing downward correction."

Does he feel political issues have been overdone? "Political crises affected the price markedly when the market was strong, but now that the market's weakened they won't have the same impact. Friday's abortive US raid proved this."

Nevertheless, he's extremely bullish about long term gold trends.

Plumbridge is cagey about GFSA developments, although he's clear on one point — the company won't diversify beyond its mining activities and the related beneficiation of minerals.

He then, with a hint of apology, explains. "New developments are our prime areas of competition and, for commercial reasons, we don't discuss them."

The only information gleaned is that North Driefontein is being "evaluated" and Zimbabwe "is being looked into," and that GFSA is "open to working in conjunction with others" in projects similar to Black Mountain.

Plumridge . . . the market is very delicate right now

Any tips? "No . . . I wouldn't like to comment," he says with eyes focused firmly on his hands.

And his spare time? "What spare time?" he says sitting back with humorous glee.

And in his case, it's a fair question.

A member of the Chamber of Mines executive committee which "takes up a considerable amount of time"; a former member of the Prime Minister's Scientific Advisory and Economic Advisory Councils; presently sitting on the De Kock Commission; on the Rhodes University Board of Governors and a councillor on the St Andrews College council. He's not kidding.

But, he adds. "I try and take it easy when I get home."

58

Boland Bank Limited

(Registered General Bank)

UNAUDITED PROFIT STATEMENT AND DECLARATION OF DIVIDEND

1.0 OPERATING RESULTS

The Directors announce that the unaudited consolidated profits of the Bank and its subsidiaries for the year ended 31 March 1980 are as follows

	31.3 1980	31 3 1979
Net profit after taxation and transfers to internal reserves (1980 unaudited)	R3 774 000	R3 101 000
Number of shares in issue	6 136 100	6 074 750
Earnings per share	61,5c	54,6c
Final dividend now declared	14c	13c
Dividend (total for year)	22c	20c

*Earnings based on weighted average number of shares in issue

2.0 DECLARATION OF DIVIDEND NO 88

Notice is hereby given that a final dividend of 14c per share has been declared. The aggregate dividend for the financial year ended 31 March 1980 amounts to 22c per share (1979 20c per share).

This dividend is payable to shareholders registered in the books of the Bank at the close of business on 23 May 1980. The share register of the Bank will be closed from the time of the close of business on 23 May 1980 until close of business on 6 June 1980. Dividend cheques will be mailed on or about 4 July 1980.

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

By order of the Board

D A VAN BLERK
Group Secretary

1 May 1980

Registered Head and Transfer Office
333 Main Street
Paarl
7646

Shares Receiving and Certifying Office
Central Registrars Limited
Northern Trust Building
28 Harrison Street
Johannesburg
2001

8 (ii) As an econo[illegible] ... tends
to occur. Y elastic[illegible] ... major part.
The Y elasticity of ... food
is low, where ... goods it
is high ie if Y ... [illegible] will
not double, but ... [illegible]dities will
more than double.

FM 2/5/80 (56)

TOP 100

Last week's Top 100 survey referred to an 8% fall in T[illegible]'s net profit [illegible]. In fact net profit increased in the comparative period by [illegible] to [illegible]. The error resulted from an incorrect compilation of the table by the Johannesburg Stock Exchange which compared a year's profit in 19[illegible] with 18 months in 19[illegible].

	Agric. Prodn	Industry Prodn	Total Y
Year 1	50	50	100
Year 2	100	100	200
$Y\epsilon_D$	0,5	1,5	

$Y\epsilon_D$ for agricultural goods $= \dfrac{\frac{\Delta Q}{Q}}{\frac{\Delta Y}{Y}}$

$$Y\epsilon_D = \frac{\Delta Q}{\Delta Y} \cdot \frac{Y}{Q}$$

$$\frac{\Delta Y \cdot Q \cdot Y\epsilon_D}{Y} = \Delta Q$$

$$\Delta Q = \cancel{50} \cdot \frac{100}{100} \times ,5 \times 50$$

$$= \underline{25}$$

The increase in the Q demanded ~~has only~~ ~~risen~~ is only 25 but prodn. has risen by 50. There will be a cut back in prodn. and workers laid off.

PTO

Escom pension fund in R10m Sandton deal

58

RDM 2/5/80

By SIMON WILLSON
Industrial Reporter

IN ONE of the biggest property investments by a pension fund, the Escom pension fund has bought a 25% individual share in Liberty Life's Sandton City complex for just over R10-million.

Extensions to the Sandton City complex being planned by Liberty Life will take the value of the total investment by Liberty and Escom to R100-million and the Escom fund has committed itself to maintaining its proportion of the investment, giving it a possible share value ceiling of R25-million.

The deal was the culmination of negotiations which began last December. Liberty Life has handled the Escom fund's property ventures before: this deal is the 10th and biggest.

The Escom fund has commissioned a number of studies about the viability of the planned extensions to the Sandton City complex and the likely effect they will have on the Escom investment.

"This is theoretically a big deal at a potential figure of R25-million, but that is still only a projection at this point," a fund spokesman said yesterday.

"We have not signed a blank cheque here. We will be continually evaluating the details of the extension.

"There may be some developments which will be too big for us, or which may not be profitable in terms of other investment possibilities we may have open to us, so we will at all times retain our identity in decision-making," the spokesman said.

Mr Michael Rapp, of Liberty Life, said yesterday: "We are pleased with the deal because we wanted a significant institutional partner with us. We already have a close association with the Escom pension fund from our past deals."

"It may well be our intention to bring in another pension fund partner, but nothing is final at this stage," Mr Rapp said.

Liberty's interest in the Sandton City complex dates to 1976 when it acquired Rapp & Maister, which then owned a half-share in the Sandton Development Group, which owns Sandton City, Esso House and 27 hectares of prime development land alongside the office and shopping blocks.

Liberty then took over Lobtown Investments stake in the group for R18-million to get 100% of the group, bringing the value of Liberty's property interests to about R250-million.

The planned extensions to the development of the Sandton City complex, valued at between R50-million and R60-million, are still on the drawing board, but are said to mean good news for Liberty policyholders and pension-fund clients as it is believed that the Sandton City Esso House development was acquired on a yield of about 9%, discounting the value of the undeveloped land.

Liberty's success in large-scale property investment is illustrated by its development of the R40-million Eastgate shopping centre. Less than a year after opening, the complex is fully let and yielding 11% on the investment.

500 000th Barclaycard

(58)

RDM 3/5/80

By SIMON WILLSON

ELEVEN years after introducing its credit card in South Africa, Barclaycard issued its 500 000th card in Johannesburg yesterday, and forecast that the millionth card would be issued within five years.

Barclaycard has always been the most widely held credit card in South Africa and the half-million is another indication of the healthy state of consumer demand and confidence.

The Barclaycard was introduced in January 1969, and yesterday a Nelspruit school teacher, Mr Menzo Barrish, became the 500 000th holder of the card.

More than 42 000 retail outlets in South Africa accept the Barclaycard, and the card's widespread international acceptability bolsters its market leadership in South AFRIca.

The Visa card franchise, to which the Barclaycard is attached, has 70 300 000 cardholders in more than 120 countries.

In January 1979, 6 426 new Barclaycards were issued; in January 1980 the figure was 12 977.

"We expect to have a turnover of not less than R600-million this year," says Mr Collin Gregor, divisional general manager at Barclaycard.

He says that if Barclaycard achieves this turnover magnitude, it will be instrumental in about 4½% of all retail spending in South Africa.

Mr Gregor predicts that, if present trends continue, the millionth Barclaycard will be issued within five years,

The Big Four credit card houses in South Africa are Barclaycard, Standardcard, Diners Club and American Express. The Standardcard is the Barclaycard's nearest competitor, with more than 330 000 holders.

Diners Club and American Express are charge cards with current accounts, and are not intended to provide extended credit for the everyday consumer, so they are less widely held.

deducted they approached the Legal Resources Centre.

Legal Resources asked Anchor Life to cancel the policies, stating: "I am sure that your company would not wish to be seen to be holding simple people to policies which they did not understand, which they clearly cannot afford and which would impose a crippling burden on their very limited financial resources."

However, Anchor Life refused the request, after it was discussed with their general manager, Mr Basil Joelson.

Last week Mr Joelson told Consumer Mail he would be prepared "as a token gesture" to reduce the women's premiums from R10 to R8 or to R6 — the minimum amount for a policy issued by the company.

But, he said, the company would not allow the women to cancel their policies.

Mr Joelson said if the premiums were reduced, the benefits would be reduced accordingly.

[illegible] aspects of the selling of insurance on a campus.

Mr Eugene Roelofse, consumer ombudsman for the South African Council of Churches, said: "This could be construed by relatively illiterate people as having either the sanction or even the compulsion of authorities behind it.

"If you reduce the premium and at the same time reduce the benefits there is no gesture at all. The company isn't losing a cent.

"It underlines the need for the public to refuse to sign any document — particularly insurance — on the day that presentation is made to them. Put it off for a week.

"The time has come for the TED ... to enforce its own regulations and to summarily dismiss any headmaster who allows any salesmen of whatever description on the school premises."

Mrs Pauline Lipson, director of the Johannesburg Legal Aid Bureau, said: "It is iniquitous particularly one of these [illegible] reaucratic bodies should lend themselves to this sort of block selling.

"Maybe they are offering a service to their staff, but what sort of benefit is it to have R10 knocked off a salary of R90, to let them go into this knowing full well that it is irrevocable.

"What about the one who doesn't want to take it? She might be scared she is going to get the boot because she is the only one that didn't want to. Is it clearly explained that it is free and voluntary and there will be no comeback on anybody who refuses?"

Mrs Sheena Duncan, director of The Black Sash Advice Office in Johannesburg, said: "It is not a new problem to me that people are signing things they don't understand. But the aspect of not being able to cut your losses and climb out is new to me. It seems quite extraordinary.

"I also have grave doubts about the sale taking place on people [illegible] under the [illegible] either as employees or students. It could create the image that the company has the support of the authority."

Professor John Dugard, director of the Centre for Applied Legal Studies at the University of the Witwatersrand, said: "While one appreciates that uneducated black persons are bound by the normal law governing contract, in this instance one must bear in mind the fact that black consumers are generally denied the type of advice afforded to white consumers.

"The salesmen should therefore be particularly careful when it comes to entering into contracts with black consumers. Poor relations between insurance companies and the black public may severely harm race relations, where the black consumer believes that he is being exploited by the company."

The deputy Registrar of Financial Institutions, Mr J [illegible] tual relations between clients of an insurance company and the company. We administer the Insurance Act and unless the provisions of the Act have been contravened there is nothing we can do about the matter.

"The people can write to us and we can refer it to the company to get the full information. That is about all we can do. If it appears from the information that the Act has been contravened, then of course we can do something about it."

Anchor Life salesmen have also been approaching other black TED staff at schools around Johannesburg.

An Edenvale headmaster said he had turned the salesmen away after he found that they had painted "a very rosy picture" to his staff.

"The staff didn't seem to comprehend very fully the fact that they would be paying R10 a month for a tremendously long period of time. That hadn't

During a lengthy interview with Consumer Mail, Mr Joelson said of the JCE staff: "We are saying that if they felt they were sold policies on the basis of R5 or R7 and they ended up with R10, that is possibly a point I should consider.

"On that basis I will consider trying to come into a price range which would not put us heavily out of pocket, which would meet them as well, and possibly have a happy client.

"But I don't want to set a precedent. I don't want to suddenly get every Government department calling and asking me to reduce the premium. We would look sick.

"If this is a special isolated incident we would be only too happy to oblige if they send in a letter requesting us to reduce because they felt that what the salesman had said was more in line with R6 than R10.

"But I couldn't cancel. We are at heavy cost and we are on risk."

He also said: "The documents were put before them for signing. Surely they could see it was for R10 and not R7. They weren't obliged to sign."

Mr John Aird, underwriting manager and marketing administrator for Anchor Life, said: "We have got premiums ranging from about R6 all the way up."

He said that in the case of the JCE women the salesmen were "no doubt, talking about R10".

"The premiums on some of the policies start at about R5 or R7. Then they got the extra benefits added on to that."

"Maybe that is where they came adrift, because where they got the basic of R6, they then have got the benefits included."

Mr Aird also said: "Surely when the responsible officer signed the stop order he must have been aware of what their earnings were."

Mr Joelson said: "I don't want to pass the buck and say we have an irresponsible signing officer. I am saying that if these women were under the impression that it was R5 or R7 and they have been sold at R10, then maybe that's a point of consideration."

Mr Joelson said he would investigate the possibility that the JCE women, as well as staff at an Edenvale primary school, were misled, and report back to Consumer Mail.

The "Mail" had the policy assessed independently and was told it was "not a bad policy". It includes a life insurance scheme, a supplementary family insurance plan, accidental and physical injury benefits and unemployment benefits.

If the women cancel their policies in September at the end of the 12-month period they will lose the R120 they paid in.

Consumer Mail investigated the wrangle after Anchor Life turned down the request from Legal Resources.

Staff at the JCE said the lasting about 30 minutes — was held in a hall on the campus. The salesmen outlined the policy benefits, showed examples of the policy and answered questions.

The staff members said during the lecture they were told policies could cost as little as R5 to R7. The following day the salesmen returned with stop-order forms.

The forms were countersigned by assistant registrars at the JCE, certifying that the women were employed under their immediate supervision and were entitled to stop-order facilities.

Professor A N Boyce, Rector of JCE, said he had not been at the college when the salesmen arrived and they had been given permission to see the staff by the Registrar, Mr N A van Rhyn.

"They had access without my knowledge.

"A few weeks ago three gentlemen from the same firm approached me. They showed me a letter. It was in a plastic cover and had a provincial letterhead. I told them they did not have my approval to speak to the staff and chased them away. I should have made a copy of the letter."

Prof Boyce said he had taken the matter up with the TED and had been told that the stop orders would only be cancelled after the 12-month period had expired and the women involved had written to the TED instructing it to do so.

Anchor Life salesmen also visited the Hurlyvale Primary School in Edenvale in November last year to try to sell policies and were permitted by the principal, Mr John Nowlan, to speak to his black staff.

After they were addressed by the salesmen, the staff — groundsmen, messengers and cleaners who earn less than R100 a month — approached Mr Nowlan for the necessary counter-signature on their stop order forms. They had already filled in the forms.

"I questioned them and asked them if they knew it would mean R10 less a month on their salary.

"I found that the picture painted by the representatives had been very, very rosy.

"I knew the staff would eventually come and say they could not afford the payments and would lose money through this.

"I also checked with parents in the insurance business on what they thought of the committal to a R10 policy for people earning a comparatively small wage.

"The advice I was given was that no way could a person receiving that salary afford the policy. I agreed and did not countersign the stop-order forms and did not send them in.

"The reps came back and I told them it was not possible for the staff to take the policies. They said they didn't know [illegible] earned such a

Mr Nowlan said he later discussed the matter with other headmasters, and was told that insurance representatives had visited other schools but had not been allowed to address staff.

In a lengthy interview, Consumer Mail asked Mr Joelson and Mr Aird:

● **Had the company obtained permission from the TED to sell insurance to its employees?**

They said the company did not need permission from Government departments, but requirements for stop order forms and rules governing access and the time in which agents could approach employees were set.

Mr Joelson said when a stop order for a policy was commenced it was done with the agreement of the Government department concerned and the company.

Commenting on Prof Boyce's statement that Anchor Life representatives had shown him a letter with a provincial crest, Mr Joelson and Mr Aird said they doubted the TED would issue such a letter and the company had never been in possession of a Government crest.

● **What were the reasons for the irrevocability clause in the policy?**

Mr Joelson said:

● Havoc would be created if everyone who commenced stop orders in Government departments could go in the following day or a month later and cancel them.

● The company in all instances insisted on the upholding of the clause unless "there is absolute fraudulent behaviour by one of our agents". The reason for this was that if it were to set a precedent, the company might have 100 or 1 000 policy-holders trying to cancel their policies.

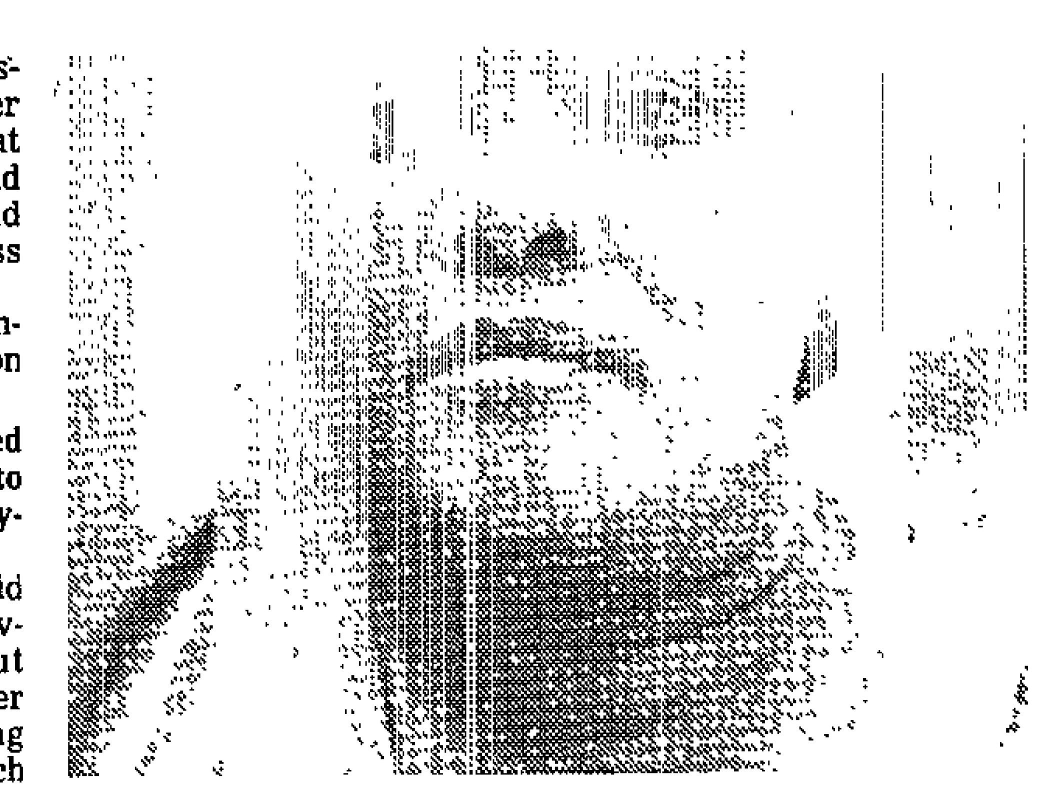
"We do it not only to protect our interests but also the interests of policy-holders. I have been through these files very carefully and I can't find anything here which indicates or could indicate anything fraudulent or anything of that nature."

● Had one of the women died since her policy was commenced Anchor Life would have been liable to pay out.

"From a company point of view it costs us roughly R60 to get the policy on to our books and commission on the policy is R70. It costs us R130 in the first year and now I am not taking into account any other extraneous costs. Assuming we were to agree to refund or to cancel on R120 we would be minus R10 on every single policy."

Mr Joelson said Anchor Life had not been invited by the TED to sell policies to their staff and had approached employees "on the basis that we are heavily involved in all Government departments".

● **Whether he would investi-** [illegible]



Mrs Ellen Mathe . . . widow.

Pictures: TREVOR SAMSON

sibly misled and were not totally clear about what they were doing.

Mr Joelson said yesterday he had investigated the case at JCE. "I have checked with the agents and the manager concerned. They maintain that the policy was correctly sold and initially there were no problems."

He said the company had contacted an official at the JCE and was told the stop order forms were "100% in order".

"Subsequently there was a problem. They telephoned and said they wanted the policy to be re-represented and this was done. The policy-holders were quite happy at that point even though they canvassed a reduction at that point."

However, he said, it appeared that other staff at the JCE had "taken an antagonistic attitude".

"I have also discussed this further with our managing director and he said if we get affidavits from the various policy-holders we would still be prepared to investigate and still take it further."

Mr Joelson said if one of the women were to leave Government employment she would no longer be bound to payments as the irrevocability clause would fall away.

Mr Joelson said: "We believe that we are doing a tremendous service in the black business and the fact that we have had a slight problem on these particular people — who we believe ... in our own minds we are satisfied they have been pressurised by somebody else. But I don't want to make an issue of it."

Earlier, Mr Joelson said: "There are the odd cases where an agent, in order to have personal gain, misrepresents. It is possible in all companies, not only ours.

"You can't stop an odd character who goes in and misrepresents. Unless it is reported to us and we can prove it. If it happens once or twice we terminate the (work of the) agent.".

He said the company was trying to bring about an educa-

Anchor Life was working on a scheme to give prospective policy holders a resume of the policies in their own language to eliminate misunderstanding.

● **If a 30-minute briefing was really sufficient to explain the ins and outs of an insurance policy.**

Mr Joelson said: "We did a test by spending an hour or two with even an intelligent white man and you find that you bring him in the next day and put on the tape and re-discuss the points, and half of the points you discussed he doesn't pick up in any event.

"I don't think that's a measure of understanding. It is a question of what you are getting for your R10 — your death cover is X, your premium is X, this is X, whatever it is. We have got a summary of the policy and feel this is adequate enough to understand."

● **Whether it was possible that the JCE staff members, with little formal education, may not really have been aware of what they were doing?**

Mr Joelson said: "Well you can't say they weren't aware of what they were signing. I mean only an idiot — and I take it that they are not idiots, if they were, they certainly would not have gone to you or others to bail them out. I don't regard them as being entire idiots. I am sure they must have realised that if they were signing official documentation that is was binding.

● **If the practice of approaching people through their place of work does not put them in a position of vulnerability from the sense that it could influence their decision?**

Mr Joelson said: "I would imagine it would be just the opposite. If they were in their own work environment I would imagine that there would be more supervision, a more senior person in that environment.

"I would think they are far less vulnerable than in their own surroundings in Soweto.

"I think life insurance is the only moral thing in the our whole society. I mean everyone else delivers bills, including

RAND DAILY MAIL, Tuesday, May 6, 19[illegible]

(58) RDM 6/5/80.

Anchor Life's insurance blitz on blacks

The women who have to pay

Staff Reporter

TWO OF the women — whose policies Anchor Life will not allow to lapse — are widows, the breadwinners for their families and each has four children attending school.

All the women involved earn salaries drastically below the Poverty Datum Line, which stands at R178,22 a month, according to the latest figure calculated by the Johannesburg Chamber of Commerce.

The PDL is based on the minimum amount a Soweto family of five can survive on.

This week the women told the "Mail" they could not afford the policies and wanted to cancel their stop orders. They supplied some of the details of their monthly budgets.

The salary figures show what the women receive before their premiums are deducted.

● **Mrs Ellen Mathe**, a 52-year-old widow earns a net salary of R85 as a cleaner. She has five children — four still at school and one waiting for his reference book so that he can seek work.

Mrs Mathe said she spends R18 of her salary on monthly rent, R30 on food, R16 on transport and R12 on coal.

She said: "I don't want this policy. I can't afford it. I support the children by myself. I have got to feed them and I am struggling. I can't afford R10 every month . . . my wages are not enough for that and I have other things to buy."

● **Mrs Anna Sibeko**, a widow of 45, said: "Food is going up, coal is going up, mealie meal is going up. I can't afford this policy. I have four children at school."

Mrs Sibeko is also a cleaner and earns a net salary of R91. She said she spent R17 a month on rent and R20 on transport. Her eldest daughter worked and helped support the family.

● **Mrs Margaret Mawasha**, a 24-year-old mother of three earns a net salary of R85 as a cleaner.

She said she could not afford the policy because her salary was "small".

"I am supposed to pay the rent, buy food, the children are at school."

She said that her husband had been out of work for three weeks and paying the premium was making things difficult for the family.

● **Miss Anna Mabulane** said she was the sole breadwinner for her schoolboy son, and her elderly mother and father.

She earns a net salary of R91 a month. She said she spent about R18 a month on rent, R17 on transport and R40 on food.

She told the "Mail" that she had tried to have the stop-order cancelled because it cost too much.

She said she thought the policy would lapse if she stopped paying. "But we are still paying. The premium is taken off before we even see the money."

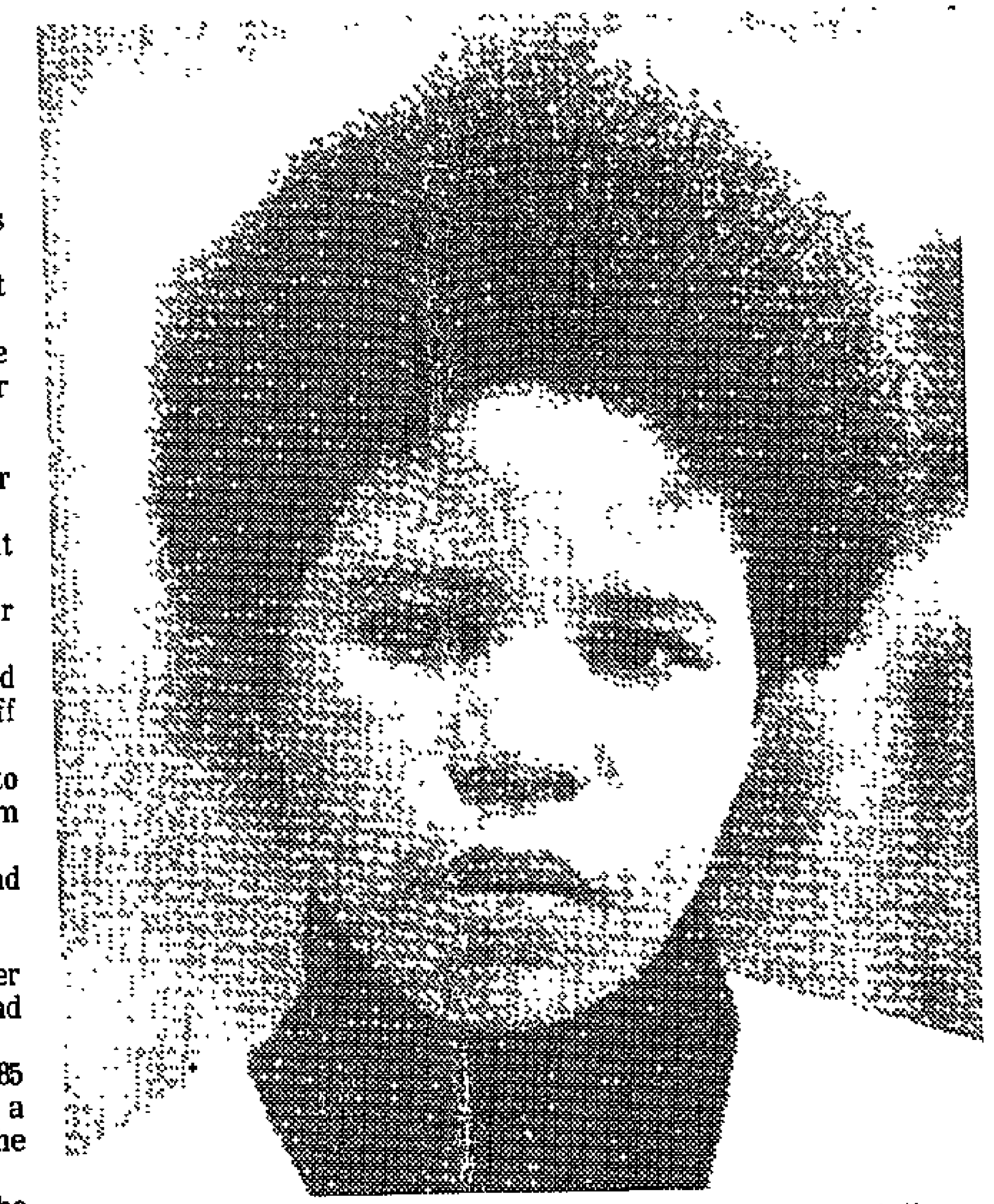
Miss Mabulane said she and Mrs Mathe had gone last year to explain their problems to one of the salesmen who had sold them the policies.

"He told us there was nothing we could do because we had already signed."

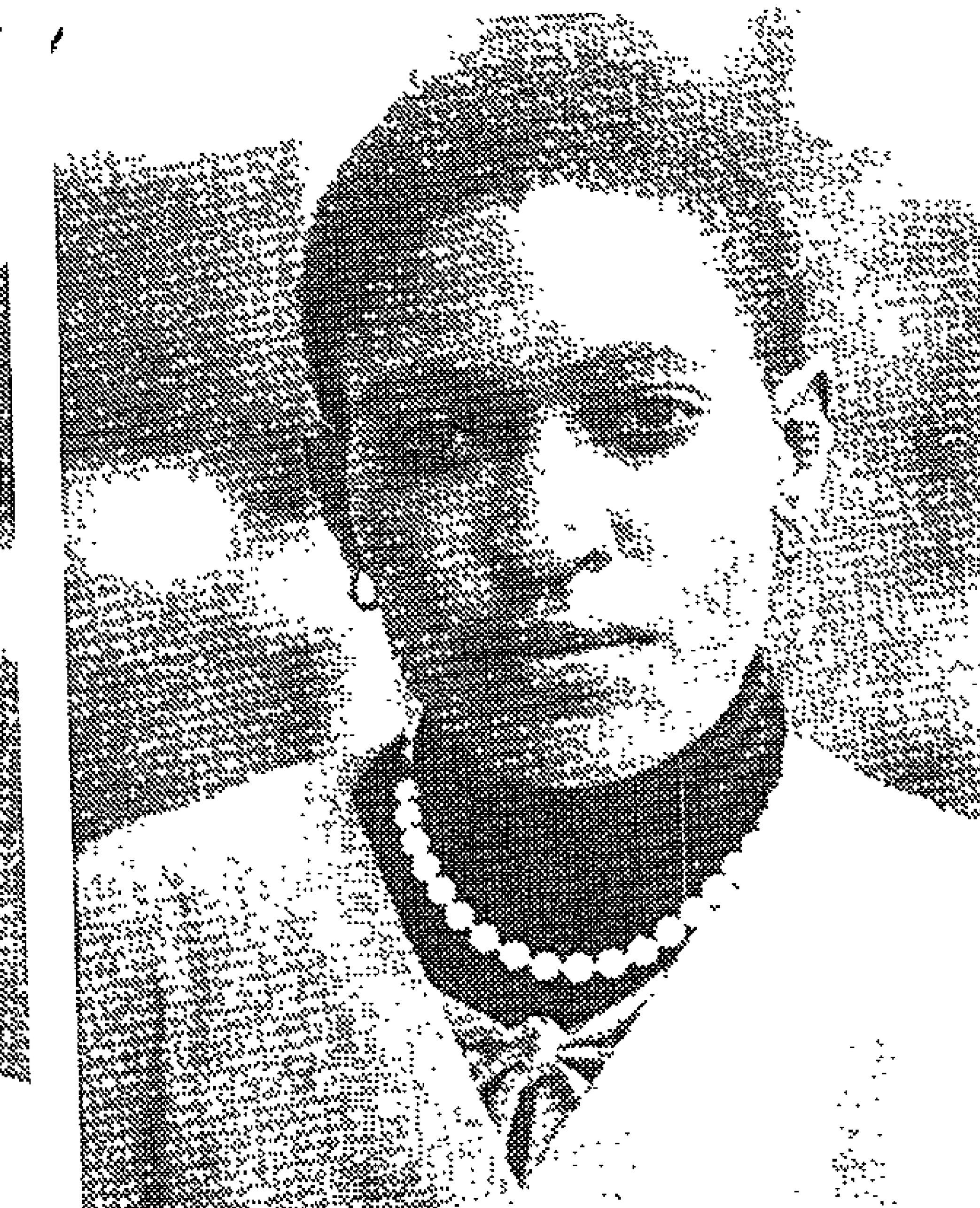
● **Mrs Maria Radebe** said she wanted to cancel her stop-order because the family could not afford it. "My salary is small and so is my husband's."

Mrs Radebe, a mother of three who earns a net salary of R85 as a cleaner, said the salesmen had told her she could take a policy for R6 that would cover only her and not the rest of the family.

"My husband doesn't want this and said I must cancel the policy."

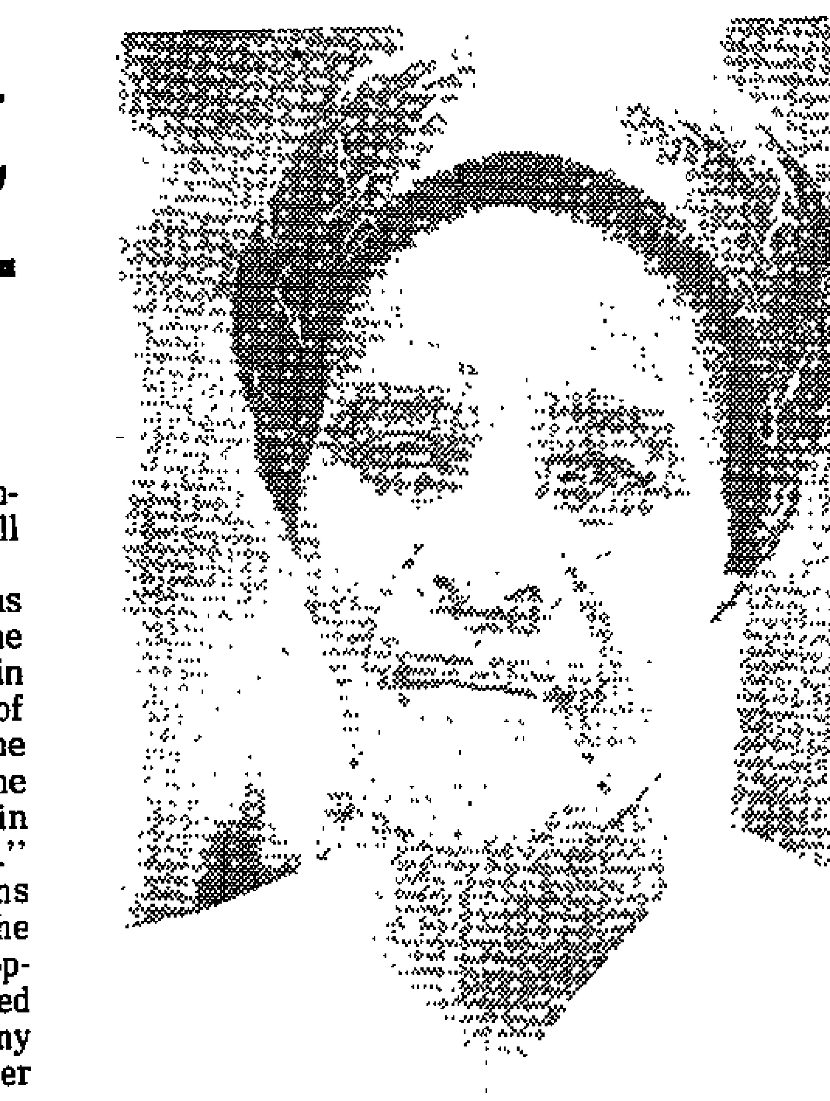


Mrs Margaret Mawasha . . . "can't afford it".



Miss Anna Mabulane . . sole breadwinner.

Mrs Maria Radebe . . "small salary".



Mrs Anna Sibeko . . . widow.

Unwanted payments they must meet

By BRIAN O'FLAHERTY

BLACK employees at the Johannesburg College of Education — whose salaries are drastically below the Poverty Datum Line — are being required by the Anchor Life Assurance Company to continue paying for insurance policies they don't want.

The employees — all women who earn less than R100 a month — have claimed that when they were approached to take the policies, they were told the premiums would be R5 to R7 a month.

They claim they were also under the impression that they could stop payments when they wanted to.

However, they all signed stop orders empowering the Transvaal Education Department to deduct R10 a month for a minimum of 12 months for their premiums.

The stop orders legally bind them to pay the premiums, in terms of an irrevocability clause.

All the employees said they did not understand the nature and the content of the documents they signed.

Transvaal Education Department orders broken

Staff Reporter

INSURANCE agents from Anchor Life were permitted to speak to black staff at the Johannesburg College of Education despite the Transvaal Education Department prohibiting commercial transactions during school hours.

Responding to questions from Consumer Mail the TED said it could not prohibit any concern from negotiating insurance with its employees.

But, it said, guidance was given to principals of schools in the Manual for School Organisation: "All applications from private persons for permission to visit schools during school hours (including breaks) for commercial purposes, must be refused."

JCE's rector, Professor A N Boyce, said he was not present when Anchor Life agents visited the college. They were given permission to address staff by the Registar, Mr N A van Rhyn.

Mr Van Rhyn said: "They asked whether they could speak to people to inform them generally about the advantages and disadvantages in life and other insurance.

"I said: 'Right fine'. I thought it was a good idea if they did. I called the chief induna. He in fact organised the whole thing. As far as I know he was one of the people who decided to take out a policy.

Mr Van Rhyn said he had to counter-sign stop-order forms certifying that they were entitled to the facility.

He said he doubted that the salesmen had shown a policy to the staff and said he did not go through the policy.

Asked about the provincial regulation prohibiting commercial activities during school hours, Mr Van Rhyn said: "That wasn't strictly involved. We don't allow advertising, or selling merchandise here. But I put insurance in a different bracket to that."

Later Consumer Mail asked Mr Van Rhyn if he had any further comments in view of the TED's instruction that all approaches during school hours for commercial purposes had to be refused.

"I would not like to say anything further."

He said the instruction applied to all institutions falling under the TED.

"There are a lot of rules and regulations. You can't always abide by all of them. It is not as if everybody knows every one of them."

He said salesmen had approached the campus a second time and he had told them there was dissatisfaction and "we had problems. If they wanted to pursue the matter they should see the Rector".

The Rector had refused them permission.

Mr Van Rhyn said that on the first occasion he had made a "spot decision" in allowing the salesmen to "inform people about insurance".

Asked about the TED ruling, Anchor Life's general manager, Mr Basil Joelson said: "There is no official directive on that. We have had nothing official so I don't think it applies."

Specific questions were put to the TED by Consumer Mail, however many of the questions were left unanswered.

They were asked what the TED was doing to help their employees get out of the policies. The TED referred Consumer Mail to the irrevocability clause.

Explaining safeguards on stop-orders, the TED said: "Applications for stop-order facilities must be certified by the head of the institution concerned (including principals of schools) and this certification comprises *inter alia* that the proposer fully appreciates the benefits, implications and commitments which the policy will carry.

"As a result of problems experienced by employees, the department issued a circular in 1978 to draw the attention of principals specifically to the stipulations contained in the provincial instructions in regard to stop-order facilities."

He said the stipulations were: "Where it appears to the official who certifies a stop-order that an agent has misled a proposer or committed any other malpractice, the matter must be reported to the employer (in other words the TED) and the stop-order must not be accepted."

Asked if it had issued a letter of introduction to Anchor Life, the department said: "The TED does not issue any letters of introduction to any private concern."

Anchor Life
ASSURANCE COMPANY LIMITED
P.O. BOX 11319, JOHANNESBURG 20[illegible]
Harmain House

Anchor Life . . . allowed to address JCE staff

BD 7/5/80 (58)

Thief claims she burned R34 000

PRETORIA — A woman who claims to have burned R34 000 which she had stolen, has had sentence postponed until June 2 for an independent doctor's report to prove that she is pregnant.

Mrs Tersia Dorothea du Plessis, 23, no address given, was convicted of stealing R34 000 from her employer between March 3, 1978 and November last year.

Mr P. Joubert, appearing in her defence, produced a doctor's report to prove she is pregnant. Mr A. S. du Toit, appearing for the state, said an independent doctor's report should be obtained.

Mrs Du Plessis had said she planned to return the money she had stolen to her employer, but had become afraid of her husband and burned the money.

Mrs Du Plessis had written out loan cheques for black staff members and had written out more than were needed, keeping the excess for herself. — SAPA.

Durban Bay House for Old Mutual

232 58

7/5/80

OLD MUTUAL has bought Durban Bay House in Smith Street for R11 264 000. This is the largest single-unit property transaction in South Africa.

The previous record was set by Old Mutual when it acquired the IBM building in Johannesburg in January 1980. In each case Old Mutual has invested in fully let high-quality office buildings at a price substantially lower than their replacement values.

Mr Martin Buss, property manager of Old Mutual, says Old Mutual will buy all the shares and shareholders' loans in Bay Passage Investments (Pty). The shareholders are Anglo American Properties (54%), with W R Poynton Investments Trust (Pty) and Nedbay (Pty) owning 46%.

The effective date of the transaction will be June 30, 1980.

OIL profit jumps R1m

(3) Fishing (38)
(RDM 7/5/80)

OVENSTONE Investments attributable taxed profits jumped by nearly R1-million to R2 356 000 in the year to last February from 1979's R1 405 000.

The preliminary profit statement shows OIL's pre-tax profit for the year at R3 558 000 (R2 841 000) and the profit after tax and minorities, but before preference dividends, at R3 395 000 (R2 483 000).

The chairman, Mr A D P Ovenstone, says profits increased as a result of improved contributions from the fishing-international and property divisions. He forecasts that further improvements to profits may be expected as the full benefits of the rights issued completed in August, 1979, are felt.

Earnings a share, calculated proportionately on the increased share capital, amount to 7,27c compared with 9,42c on the old capital in 1979. In line with forecasts the final dividend has been maintained at 1,5c a share making an unchanged total of 3c for the year.

Turnover for the year was R27 643 000 (R39 647 000). This decrease is the result of a decision to create one national construction group rather than to operate through four independent companies with different shareholders.

As a first step in this process, an equity issue to new shareholders took place in one of the subsidiaries which reduced the group's shareholding in that company to 47,5%.

No material effect is expected in net assets and earnings as a result of these changes, but benefits should be derived from the combination of management resources and personnel on a national basis, says Mr Ovenstone.— Sapa.

Argus 8/5/82

Wool Board on the carpet

58

Political Staff

The Wool Board, which lost more than R500 000 by investing with the Rand Bank, is this month to appear before the parliamentary select committee on public accounts.

The board invested R3-million with the bank only a few months before it went into curatorship.

The committee is Parliament's watchdog on public spending.

'SPECIALISTS'

In reply to a question in Parliament, the Minister of Agriculture, Mr Hendrik Schoeman, said yesterday that 'financial specialists' were consulted before the board made the investment.

The Board's financial controller negotiated the transaction with the manager of the Rand Bank in Port Elizabeth.

Mr John Malcomess, Progressive Federal Party MP for East London North, said today it was obvious that the board had acted on poor advice.

RMP on the move again in property

58 RDM 8/5/80

By ELIZABETH ROUSE

RAND Mines Properties is on the move on the property as well as the mining front.

The company intends to develop 91 hectares in Wadeville industrial township, according to the interim report. This move is significant as the company's property holdings have been static since the economic slump.

RM Props has paid R1 783 000 cash for the acquisition of the land-owning company, Wadeville Investment Company, from Hillman Developments, a wholly owned subsidiary of Barlows.

To finance this acquisition and to provide funds for development of the land, RM Props has sold its investment in Transvaal Gold Mining Estates (TGME) to Barlows for R3 188 000 cash. As the net asset value at the effective sale date in October last year was R1 295 000, the surplus on this sale is R1 893 000.

The RM Props group retains the mineral and mining rights over TGME's Pilgrim's Rest land, which is farmed.

Turnover and pre-tax profits show considerable improvement at the halfway stage, but RM Props ran into a higher tax bracket, assessed losses having been reduced and non-taxable income being lower, and the attributable taxed profit advance has been cut to just over 9%.

However, the directors are confident that yearend earnings should show a satisfactory increase on 1979's 34,3c a share as a result of an increased tempo in land sales.

This means that shareholders can expect a lift from last year's annual dividend of 17c. However, the share price will reflect RM Props dump retreatment prospects.

At the moment RM Props biggest income stems from property and to a lesser extent from timber.

Profit from property sales increased to R2 222 000 in the six months to last March from the previous comparable half-year's R1 668 000. The Thesens timber division did well, with profits up at R977 000 from R596 000.

Net mining profit came off to a net R501 000 from R568 000 as income from surface gold operations fell considerably.

Group turnover was up by 27,7% to R12 812 000 (TGME's farming operations contributed R405 000, so the sale will have little efect on earnings) from R10 034 000 and pre-tax profits rose by 29,4% to R3 479 000 from R2 688 000. Taxed attributable profit was R2 327 000 against the 1979 half-year's R2 130 000. Tax jumped to R1 130 000 from R547 000.

IGI revival

58 IGM
8/5/80

Financial Reporter

INCORPORATED General Insurances bounced back with record profits in the past year, but the final dividend has been raised by a conservative 1c to 5c.

Earnings for the year to last March were 27,6c a share compared with 7,5c in 1979. The dividend total of 8c (7c) is covered 3,4 times.

Gross premium income rose to R45 039 000 from R42 650 000 and net premium income was up from R25 401 000 to R28 938 000.

Taxed profit was R1 604 000 against 1979's R510 000. IGI improved its share-dealing activities to show a profit of R97 000 against R22 000 in the previous year.

Dividend yield is an attractive 8,4% and the excellent results could lure investors. However, the company has an erratic profit record, being subject to the vagaries of the volatile insurance business.

R20m Liberty rights details

(58) RDM 8/5/80.

By HAROLD FRIDJHON

LIBERTY Life Association proposes to raise about R19 600 000 by way of a rights issue of 1 091 515 convertible redeemable preference shares on a one-for-10 basis at a maximum issue price of R18 a share.

Shareholders will have the option of a fixed rate 7,5% pref share or a 6,25% variable pref share, or a combination of both.

The maximum issue price will be R18 a share, but immediately before listing of the renounceable (nil paid) letters, the actual issue price will be determined. Liberty has 10 915 147 R1 ordinary shares in issue and 5 207 844 7% R1 redeemable cum pref shares.

The variable pref dividend will yield 6,25% (based on the prime overdraft rate of 9,5%). The maximum yield will be equivalent to 10,5% on the issue price. If the prime overdraft rate should exceed 9,5%, the yield of the variable prefs will be increased by 50% of the amount by which the higher rate exceeds 9,5% with a maximum yield of 10,5% The yield, however, will not be less than 6,25%.

Each pref share will be convertible into one new fully paid ordinary share at a price equivalent to the issue price of the new pref shares. The conversion dates will be September 30 in 1985, 1986, 1987 or 1988. If the option is not exercised, the prefs will be redeemed on September 30, 1988; they can also be redeemed earlier.

The issue of the new shares will increase shareholders' funds from R76 500 000 at December 1979 to an estimated R100-million which the directors consider to be appropriate to the present size of Liberty Life's operations and its total asset base which is in excess of R1 000-million.' It is projected that assets should reach R3 000-million by the end of the decade.

Liberty's holding company, Liberty Holdings, which is entitled to take up 80,87% of the issue, will exercise it rights.

COMMENT: This is an attractively pitched offer. Assuming the issue price is R18 a share, given Liberty's historic growth rate, the take up price is very favourable for a share which is currently priced at R16 and is standing on a 6% yield.

While holders wait for the inevitable growth which could give them a capital gain on their investment, the return on the prefs is very reasonable.

The question, of course, is fixed rate or variable and the investor's decision must be influenced by the view he takes on future interest rates. It should be remembered, however, that before the 6,25% rate equals the 7,5% of the fixed rate prefes prime rate will have to reach 12%. This is not impossible in the next eight years. But higher?

New-look Hillsam lifts final

58 RDM 9/5/80

By HOWARD PREECE
Financial Editor

HILL SAMUEL, the banking group, has confirmed its vigorous new look with a 56% jump in taxed profit and a similar dividend increase for the year to March 31.

It also plans to raise R6 500 000 through preference shares and a rights issue.

Taxed profit of Hillsam last year rose from R1 551 000 to R2 419 000.

The final dividend has been increased from 9c to 16,5c to give a total of 27,5c (17,75c). Earnings a share were up from 26,6c to 41,45c.

These are the first annual results since the major reconstruction announced in April 1979 which involved hiving off Hillsam's property and insurance and pension interests.

They are also the best since Hillsam was listed on the Johannesburg Stock Exchange in 1969.

A statement by the directors says: "All operating divisions within the bank contributed to these enhanced results. Increased lending opportunities arose through the expansion of types of short-term credit instruments which became more readily acceptable in the South African money market.

"In addition, the bank was able to take advantage of the low prevailing interest rates to offer rand financing in replacement of overseas trade financing.

"These factors facilitated an increase in the level of business written, mainly during the latter part of the year, resulting in a volume growth of over R100-million in bills accepted and residsounted on behalf of customers.

"Activity in all fee earning areas was also satisfactory."

Hillsam intends to raise R4-million by privately placing cumulative redeemable preference shares and R2 500 000 through an ordinary rights issue.

Details of the rights will be announed next month.

COMMENT. Hillsam is raising extra capital because it expects a further big rise in business, although it still has plenty of leeway in terms of statutory capital requirements.

The overseas parent, Hill Samuel of London, which effectively holds a 72% stake intends taking up its rights.

This is a clear sign of the UK's group commitment to the South African operation and should dispel any lingering ideas that Hillsam SA is a takeover target.

Under the direction of Mr Christopher Castleman, who is returning to London, and his successor as managing director from April 1 this year, Mr Andrew Fleming, Hillsam has made great progress in shaking off a poor image.

At 330c, up 30c on the week, Hillsam yields historically 12,6% on earnings and 8,3% on dividend.

For those who (a) like the market outlook overall and (b) are looking at banking shares this has to be a candidate.

All-out boom in Cape

RDM 7/5/80

GORDON KLING: Cape Town

THE improved property market in the Cape has reached proportions of an all-out boom with multi-million rand benefits for builders, speculators, estate agents and developers. But it also threatens to price homes out of the reach of a vast body of wage earners in the private sector.

A Cape Times analysis of figures provided by the Divisional Council of the Cape indicates that values in coloured residential areas are soaring much faster than in elite white suburbs, and estate agents maintain subsidies for state employees are now preventing other workers, particularly in the coloured community, from purchasing their own homes.

The extent of the boom, and its exacerbation of apartheid-induced distortions of the economy, is evident in March comparison of deals in Constantia where values of 119 transactions last month rose to R4,2-million from R1,5-million in 52 transactions during the same month the previous year, giving an average increase in value per transaction of 25%.

In Grassy Park, however, the rise in average value was 55%.

Estate agents attributed rises in both areas to lack of land, but they said prices in Grassy Park, as in other coloured areas, had gone through the roof because of the multiplier effect of subsidies for state employees. One of the major agents in the township, who declined to be identified, said the 100% housing loan for state employees, coupled with the recently increased availability of bonds had left them able to afford houses at almost twice the price of workers in the private sector. The market was now geared to the state employees. "With the current scarcity of land and housing, the private chap realy doesn't have much of a chance," the agent said.

An agent in Paarl, who also requested not to be identified, said the phenomenal rate of price increases had also spread to the Boland with buoyant implications for everyone in the property business there. "Plots are relatively cheaper in the Platteland," he said, "but unfortunately salary qualifications for bonds are now leaving most coloureds out of the market.

Building societies, builders and agents yesterday maintained the property boom was built on firm foundations. They also widely concluded that the upsurge could price homes out of the reach of those who were building them, but improved pay and increased employment opportunities were cited as mitigating factors.

With an eye on possible implication of the continuing schools boycott and other political issues, property authorities were reluctant to commit themselves to short-term forecasts.

The manager of one of the largest construction companies in the southern suburbs, Mr Johan Juselius, however noted that "plots in better areas which were selling a year ago are now moving at a premium". Buyers who had previously valued the nearness to schools and transport of Diep River, for example, were now setting their sights on Constantia.

Mr Juselius believed prices could skyrocket as easily as they could stabilise: he could not foresee any significant drop.

Building society sources yesterday did not reject reports of a possible tightening of loans later in the year, but they believed it was more likely that the present easy loan situation would prevail into next year.

Reacting to criticisms that the societies should lower valuations for bonds in an attempt to cool off the market, the societies claimed that shortages of good houses, land, and building costs running in excess of 15% a year made this impractical.

PENSION FUNDS (58) FM 9/5/80

Beating Inflation?

Among the more important issues discussed at the recent SA Pension and Provident Funds conference held in Port Elizabeth, were multiple management of pension fund assets, known as split funding, and the problem of funding pensions in inflationary times.

African Eagle's Ian Solomon told the conference that in view of the increasing complexity of investment possibilities, it made sense to use institutions with different investment philosophies.

One criticism of split funding is that competitive pressure on financial advisers to produce results in the short-term might encourage holdings in more risky undertakings

And if pension funds can clear 30% to 40% on their investments including capital growth, as some have been doing, is it necessary to have split funding?

Solomon's reply: "With split funding at least you have the brains of two investment managers working for you, which in the long term should ensure that the returns will be better" And, of course, the investment climate may be substantially less profitable in the next couple of years, compared with the past three years.

Neither does a national pension scheme seem a likely alternative. Wynand Louw, Registrar of Financial Institutions, tells the *FM* that his committee into certain pension matters has worked out a basis which will permit the provision of pensions being kept within the private sector's ambit.

Its proposals, which Louw hopes will be tabled before the end of the current parliamentary session, aim to enlarge the options available for pensions and allow more mobility in their transfer.

Louw believes SA will get "pioneering legislation" for the preservation of benefits, and he envisages privately financed pension schemes eventually embracing the whole population.

FM 9/5/80 (58)

Metkor Investments Limited

Interim report

for the six months ended 31 December 1979

Company results

The results of Metkor Investments Limited (Metkor) for the six months ended 31 December 1979 are as follows

R'000	Six months ended 31.12 1979	Six months ended 31 12 1978	Year ended 30 6 1979
Net income	4 259	2 235	3 160
Less			
Provision for preferent dividend – 31 8 1979 to 31 12.1979	716	—	—
	R3 543	R2 235	R3 160
Earnings per share (cents)	6,12	3,86	5,46

Notes

1. Results for the six months to 31 December 1979 (1978) are actual but unaudited
2. An ordinary dividend of 5 cents per share in respect of the year ended 30 June 1979 absorbing R2 891 000 was declared on 31 July 1979 and paid in September 1979
3. A preferent dividend of 3,088 cents per share for the period 31 August 1979 to 31 March 1980 absorbing R1 246 000, was declared on 27 February 1980 and paid on 31 March 1980
4. Comparative figures have, where necessary, been adjusted.
5. There is no liability for taxation

Dividend income for the six months ended 31 December is as follows

	1979 R	1978 R
Subsidiary companies	390 800	364 010
Associated companies	3 955 990	1 924 477
Other investments	217 440	163 080
	R4 564 230	R2 451 567

The increase in dividends received from associated companies is mainly attributable to the receipt of a maiden dividend from Air Products of South Africa (Pty) Limited in respect of their 1980 financial year and an increased dividend from International Pipe and Steel Investments S A (Pty) Limited

Portfolio changes

Subsidiary companies

Donkerhoek Quartzite (Pty) Limited
(Donkerhoek)

Due to the necessity to finance expanded production facilities to meet the increased demand for quartzite made by Iscor, it was decided to dispose of this investment. The company was sold to Iscor at cost and the loans repaid.

Hart Limited
(Hart)

On 24 March 1980 Metkor acquired, in terms of a scheme of arrangement entered into between Hart and its minority shareholders, the 23,7% minorities interest in the ordinary shares of Hart namely 1 791 540 shares. Based on the current indications the consideration for the acquisition of these shares is R269 154 in cash and the issue of 1 873 108 Metkor shares. Hart is now a wholly controlled subsidiary of Metkor

Wispeco Holdings Limited
(Wispeco)

On 24 March 1980 Metkor also acquired, in terms of a scheme of arrangement entered into between Wispeco and its minority shareholders, the 48,75% minorities interest in the ordinary shares of Wispeco, namely 7 397 510 shares. The consideration for the acquisition of these shares is 7 397 510 Metkor shares The equity of Wispeco is now fully held by Metkor.

Associated companies

Air Products of South Africa (Pty) Limited
(Apsap)

As mentioned in the 1979 annual report, Metkor entered into an agreement with Iscor on 29 June 1979 for the acquisition of Iscor's 50% interest in the issued share capital of Apsap The purchase price for the 4 500 000 "A" shares of 50 cents each was fixed at R10 000 000, to be settled by the transfer of 1 087 200 S A Manganese Amcor shares from Metkor to Iscor at a price of 920 cents per share being the approximate middle market price of the shares on The Johannesburg Stock Exchange between 1 May 1979 and 25 May 1979 with the difference of R2 240 payable in cash to Metkor The agreement, effective at 30 September 1979, was approved at a general meeting of shareholders of Metkor held on 31 July 1979

Other listed investments

SA Manganese Amcor Limited
(Samancor)

As mentioned above the 1 087 200 shares in Samancor were transferred to Iscor in settlement of the acquisition of Iscor's 4 500 000 "A" shares in Apsap

Share capital

As mentioned in the 1979 annual report, Metkor's authorised share capital was increased by the creation of 43 000 000 10,5% cumulative convertible non-redeemable preference shares of 50 cents each of which 40 479 964 shares were issued by way of a rights issue during August 1979

The proposals announced on 27 November 1979 for acquiring the interests of the minorities of Wispeco and Hart as mentioned above, required a Metkor issue of a maximum of 9 672 766 ordinary shares of 50 cents each in satisfaction of the purchase consideration payable Accordingly at a general meeting of shareholders held on 20 February 1980 a special resolution was passed increasing the authorised ordinary share capital by the creation of 15 000 000 shares of 50 cents each The authorised share capital of Metkor now consists of 75 000 000 ordinary shares of 50 cents each and 43 000 000 10,5% cumulative convertible non-redeemable preference shares of 50 cents each

The minority shareholders of Wispeco will be issued 7 397 510 Metkor ordinary shares and the minority shareholders of Hart will be issued some 1 873 108 Metkor ordinary shares in settlement of the consideration relative to the acquisition of the relative minority interests After taking into account the abovementioned Wispeco/Hart share issue the share capital of Metkor will be 67 099 138 ordinary shares of 50 cents each and 40 479 964 10,5% cumulative convertible non-redeemable preference shares of 50 cents each

Results of company and subsidiaries

The profit after tax of your company, consolidated with your company's share of the after-tax profits (losses) of its subsidiaries for the six months ended 31 December 1979 amounted to R4 569 670 as compared with R2 614 395 for the corresponding six months of the previous year

Shareholders are however reminded that Metkor's dividend rate is determined by dividends received and not by share of profits of the relevant companies

Prospects – remainder of year

It is expected that dividend earnings in the second half of the financial year will be higher than those of the corresponding period of the previous year After taking into account the preferent dividend of R1 246 000 paid in March 1980, earnings per share for the year should be higher than that of the previous year and it would thus appear possible to at least maintain the previous year's dividend of 5 cents per share.

Capital commitment

There was no capital commitment at 31 December 1979.

Contingent liabilities

Metkor has guaranteed loans, banking facilities and contract performance bonds on behalf of subsidiary companies amounting to R5 417 988 (1978: R9 949 285).

On behalf of the board

J. J. Vermooten | *Directors*
L. van Zyl |

Pretoria
8 May 1980

A 044

INSURANCE

Parasols revamped

The SA Insurance Association unanimously adopted a proposal at its meeting last Tuesday to define more precisely industrial all risk policies, better known as parasols.

The plan is to specify what liability is given or excluded for each type of cover.

The types of cover on which parasol policies apply include fire and allied perils, burglary, accidental damage, fidelity, motor, goods in transit, public and product liability, machinery breakdown and business interruption.

Separate premiums will be levied for each type of cover and a loss limit imposed, except for fire and allied perils. Provision is also made to exclude liability in the event of war, nuclear explosions, political riots, land subsidence and losses involving aircraft or waterborne vessels.

Reaction in the insurance industry varies from enthusiastic to cautious. Guardian Assurance's deputy GM Robert Smith tells the *FM* that a combination of uneconomic rates and badly drafted policies has made regulation of parasols essential.

Smith says rates have "gone down to levels quite unique in my experience," while the vague wording of many policies makes it difficult to assess the risks involved. The situation is a "blueprint for disaster."

On the other hand, Barry Jenkins, MD of Minet & Co, which pioneered parasols, feels that while insurers will benefit from the restraints introduced, the public will be denied the wider cover they enjoyed in the past.

The removal of some aspects of consequential loss and the limiting of indemnity means there will not be "as good a product as designed in the past".

Other disadvantages are that the scope to design policies tailored for the needs of individual clients may be limited, while the termination of an omnibus clause in favour of specific cover may complicate insurance agreements unnecessarily. As industry is trying to make agreements less complex, this could be retrogressive.

Smith suggests that the new approach will ensure that the risks involved are assessed on a separate basis. Thus more realistic rates may be charged.

But, as Jenkins points out, if premiums of R100 are levied on a parasol agreement, it is easy for the insurer to allocate the R100 among the different categories of cover as he sees fit.

If the insurance industry is to avoid a damaging situation in which claims cannot be funded from premium income, drastic action may be necessary to restore some market equilibrium.

Closer co-operation between the insurers to avoid recklessness may, therefore, be in the public interest. But this agreement should not be allowed to expand into a more general one.

Financial Mail May 9 1980

INDUSTRIAL SHARES

Sell in May. . .?

FM 9/5/80 (55)

Buy, sell or ride the trough out? These are the options facing short-term investors in the JSE. Brokers and analysts were inundated with calls for advice as the market churned its way into May. Gold shares have been hesitant for some time awaiting a lead from bullion, while industrial share prices have been quiet and easier for three months.

The JSE Actuaries industrial index peaked at 534,5 on February 13 when 53 industrial shares hit new highs. These included the likes of Barlow Rand which then rose to 930c (950c) and Premier Milling which put on 10c to 790c. While certain blue chips have shown further advances since then — Barlows eventually hit a high of 1 050c — generally the market has moved listlessly lower. Currently the JSE Actuaries index is 499 after being as low as 495 towards the end of April. And this is despite some sparkling profit performances across the board, particularly from industrial leaders such as the SA Breweries group companies.

As share prices milled uncertainly so industrial share trading volumes have suffered. From peak daily volumes of over 3,4m shares valued at more than R10m in February, last week an average of only 1,8m shares worth R3m changed hands. A similar trend prevails on the gold board where even the gold bulls are hesitating. Peak trade on the gold board earlier this year amounted to 3m shares a day valued at up to R30m. Last week average daily turnover was 500 000 shares worth around R1,5m.

Near-term there is no certainty. Brokers confirm that institutional investors are side-lined, and in some cases have been heavy sellers at recent high levels. Private investors too are hesitant particularly after losing much of the paper profits accumulated on the gold board in January. In addition local investors have been nervous ahead of some overseas reaction to the recent coloured school disturbances.

But the picture painted by a fair proportion of brokers and institutional investors indicates the market still has upside, and that even at present prices shares represent real value on dividend prospects.

The trend in interest rates and the gold price are major forces at work in the industrial sector. There have been suggestions that rates are [illegible] the bottom and that the weakness in bullion could encourage that trend. Not so, says UAL's Alister Colquhoun. It would take a further sharp fall in bullion before there would be any real impact on interest rates."

Local liquidity could become tighter as the economy moves into the next growth phase when demand for investment and expansion capital increases. However, in many industries there is still excess capacity, while firms that are planning capex could find a significant proportion from internal sources. The memory of 1969-1974 when interest commitments badly strained liquidity is still fresh. This time around, many firms apparently intend to keep gearing as low as possible.

Additionally, the recent trend towards encouraging overseas trade finance could relieve potential pressure on local liquidity says Colquhoun. The Reserve Bank could, through adjustments to the forward dollar discount rate, maintain stable short-term rates. The immediate impact of the narrowing of the forward dollar discount rate was an easing of short-term rates. Long-term rates, however, continue to strengthen marginally. Most brokers expect stable interest-rate pattern near term with no major changes to dramatically influence Diagonal Street.

"At present interest rates are just being used as an excuse, and not a reason for the industrial market's sluggishness," says a leading broker. "We will probably see a *significant* hardening in rates in the second half of 1981 as the investment phase begins, but before then there should be no real upward pressure."

The influence of the gold price on industrial share trends is more difficult to ascertain. But it seems most institutional investors and brokers believe bullion could fall to $400 without hurting the industrial sector. Says one broker: "If bullion was to bottom at $400, bearing in mind the average for 1979 was below $300, there could be something like 20%-30% upside in industrial share prices. With the emphasis on consumer spending and the liquidity position in the economy, this gives the industrial sector a very solid base."

Strong corporate profit growth, which should continue though proportional gains, are now off higher bases. Quoted companies with December year-ends last year increased in pre-tax profits an average 31,3% and, with easier tax rates, earnings and dividends have increased faster (see table) Most brokers believe dividend growth this year will average at least 20%, with more optimistic expectations around 30%. Certainly, for example, the Romatex, Amrel, OK Bazaars and Afcol dividends point to the higher growth as being more likely

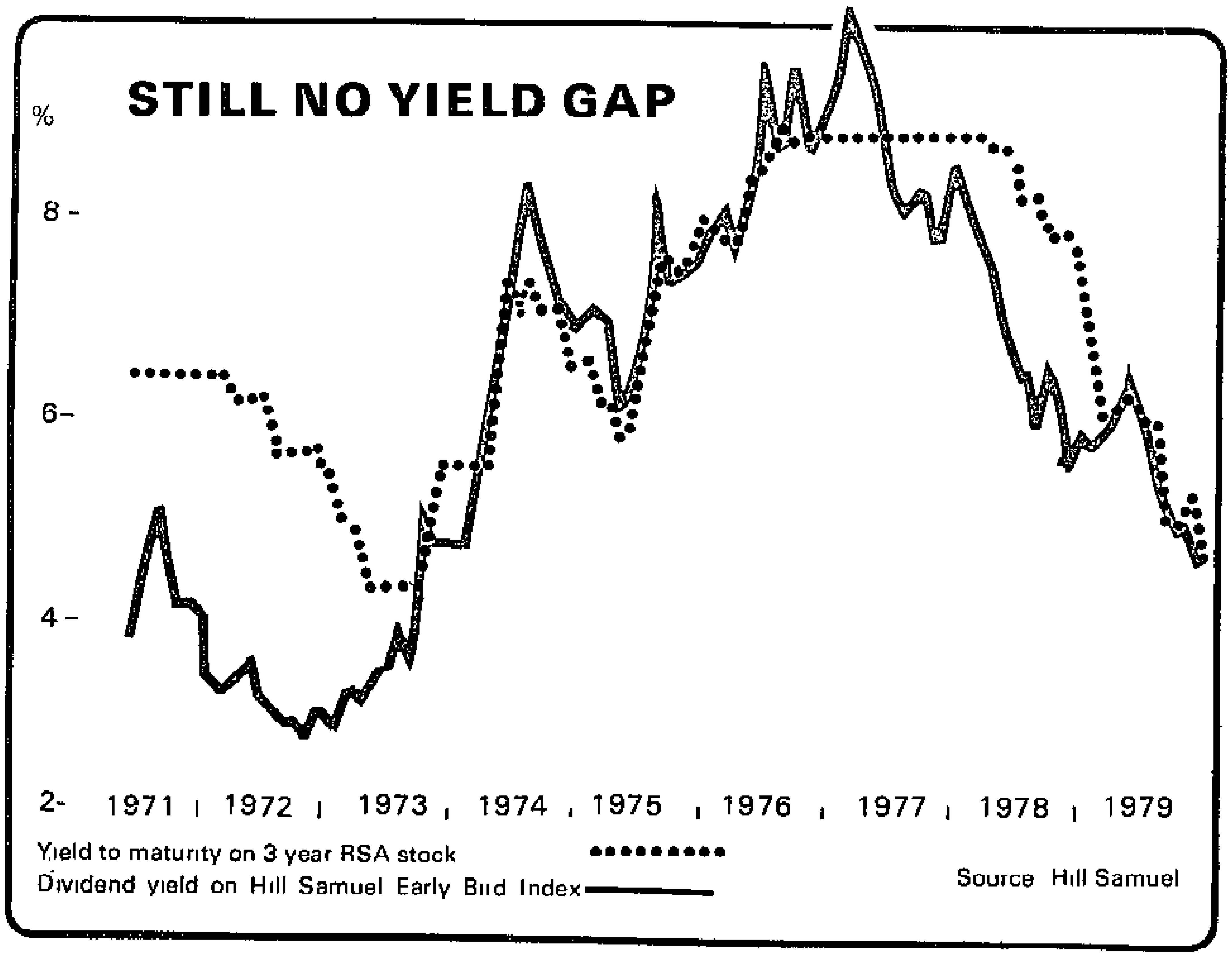
However, the retail sector may be approaching the top, though institutional investors say they are picking up parcels "when price distortions or special situations present buying opportunities." Currently motors and construction shares are what most are plumping for. "We have not yet seen anything like the real growth in profits from companies in these sectors Many cases have merely indicated the turnaround, but growth this year will be substantial" is the recommendation of one broker to his institutional clients.

If these views are correct, "bearing in mind that 1969 cannot be used as a yardstick in what is now a more sophisticated economy," upside looks assured. Then why have industrial share prices behaved so sluggishly?

Colquhoun says it is simply that the market "ran a bit ahead of itself towards the end of last year and early in 1980 on the back of interest rates." Then investors "realised yields were low," so they withdrew from the market. Now the market is awaiting "confirmation factors" in the form of further evidence of economic growth and continued advances in company profits Until sufficient evidence becomes available "we are in for dull trading."

That this evidence will be available is "beyond doubt so, provided there are no political upsets, the JSE should again start performing strongly," according to an investment manager at a major short-term insurer. On politics there are varying views, but the negligible response by overseas investors to the coloured school boycotts leads most to believe a more 'pragmatic' view is being taken on SA. "Anyone investing in SA does so with the expectation of possible political turmoil so something like the school boycott should not be a major bear factor."

If dividends grow by about 25% this year, the average prospective industrial market yield is about 6%. To overseas investors the yield after taking into account the financial rand discount and non-resident shareholders' tax is around 6,7% compared with 8,0% yield on UK equities. Thus SA industrial shares do not appear attractive to foreigners at first glance. However Colquhoun says the trend is for



LAST YEAR'S PERFORMANCE

Sector*	Pre-tax profit Rm	% growth	Net profit Rm	% growth	Ordinary dividends Rm	% growth
Building	34,0	14,2	23,4	0,9	12,9	1,6
Chemicals	173,1	47,6	113,4	47,7	66,5	43,9
Clothing	12,8	100,0	8,3	118,4	2,0	55,8
Electronics	23,1	11,1	14,5	23,9	10,3	103,8
Engineering	59,1	13,5	36,7	22,1	15,8	20,6
Food	66,8	13,0	36,4	17,5	8,5	18,4
Furniture	1,2	10,5	0,6	20,8	0,4	27,9
Motors	30,2	33,5	19,5	28,1	4,2	36,3
Paper/packaging	64,0	27,4	45,9	38,5	20,0	41,5
Pharmaceuticals	12,2	39,0	6,1	36,5	2,1	11,0
Printing	6,3	16,1	3,8	13,6	1,4	16,9
Steel	30,5	90,2	20,5	116,7	5,2	54,7
Stores	14,6	17,9	9,1	17,7	4,6	18,9
Tobacco	7,6	31,3	4,6	36,3	1,1	—
Total	535,5	31,3	343,2	35,2	155,1	36,9

* December year-end companies.

lower UK corporate profits and yields, so a risk differential will be created. Hence recent purchases by UK investors of SA Breweries, Nedbank and Barlows.

In 1979, including golds, the JSE was the world's best performing stock market with an overall 85% appreciation. The industrial market gained 68% which compared with, for example, a 37% rise in Sydney. Some have commented that this year the JSE could be the "dullest" market. But 1981 prospects look good provided there are no major upsets to growth or politics. "After a quiet period in which many companies will be re-rated and fundamentals catch up on share prices, 1981 the JSE could be a star performer — the signs are there."

The scene for growing share prices into 1981 appears to be set. Simon Brand, chairman of the Prime Minister's Economic Advisory Council, said recently that annual gdp growth of 5% seems possible throughout the 1980s with no real balance of payments constraints and less inflationary pressure. "Previously," says a fund manager, "many cost increases were absorbed for years, and consumers were hit hard when they came home to roost. Now there is a more rational approach."

Institutional funds are growing at some 18% compound annually and this year there should be some R2 000m for investment in prescribed assets and equities. But there are those who believe the market could end 1980 some 20% lower than it began, with no real appreciation until mid-1981. This dictates the approach of "watching which way the cat jumps" before committing funds on a short-term basis. The time for super capital gains has passed, and near-term investors are probably best advised to buy on special situations or hold out until a more certain trend has been established.

Many investors are waiting for a possible shake-out in the gold market before committing themselves to any equities. But if gold does manage to hold on above $500, prospects for industrial shares can only be good.

Des Kilalea

DEFERRED TAX

This year, next year. . .

Sappi's accounts for the year to December 31, 1979 reflect an important reversal of accounting policy. This major manufacturing company no longer, in the most important respects, makes provision for deferred tax. In so doing, it has set itself aside from the great majority of SA companies. But to what purpose?

Could Sappi's decision signal a significant wave of defiance by major companies of the accountants' guidelines on deferred tax? These standards are laid down in a "Statement of Generally Accepted Accounting Practice" (No 1.002), styled "Taxation in the Financial Statements of Companies." This statement was drafted by The National Council of Chartered Accountants (SA), approved by the Accounting Practices Board and came into effect on January 1, 1976.

The logic — if logic it is — behind making a provision for deferred tax arises in a variety of situations which create a divergence between the profit figure for income tax purposes and that which would be generated by the application of "sound accounting principles."

The really tricky problems arise from so-called "timing differences" (as opposed to "permanent differences" generated, for example, by once-only tax relief like the investment allowance on machinery purchases).

The most important cause of timing differences under SA tax law is the accelerated depreciation of plant and equipment in the year of purchase through the combined impact of the "initial allowance" and the ordinary wear and tear allowance.

The combined effect of these two allowances permits, for tax purposes, a write-off far in excess of the depreciation which sound accounting principles would permit. In subsequent years, the position would, in the absence of a provision for deferred tax, reverse itself. Unless provision is made for deferred tax, the distributable profit will be inflated in the year of purchase and depressed in subsequent years.

By then, most of the tax-eligible depreciation will have been taken, but prudent accounting (say, on a straight-line basis of depreciation) will still require a fixed proportion of the purchase price of the assets to be written off annually. So, even without any increase in tax rates, the amount of taxable income will be inflated by the drop in depreciation which can then be claimed.

The difference between the two bases of computing profits, say the chartered accountants, should be reconciled through establishing a deferred tax provision. (It cannot be a reserve, as the amounts so allocated will be required to meet the higher tax bill in later years.)

In other words, the deferred tax standard is designed to maintain the comparability of recorded profit figures, both from year to year within a company, and between different companies.

Enforcement

The theory behind making provision for deferred tax appears simple enough in the case of "once-off" purchase of plant and equipment. Rigorous enforcement of the standard can prevent certain types of undesirable company practice. Consider a company (say an old-style conglomerate) which chooses to make substantial qualifying capital expenditure in a given year and then pays out most of the inflated profit in the form of dividends. The share market may be persuaded in this way to put an inflated value on the company's shares, which can then be used advantageously as a form of currency for making acquisitions. Even if the inflated earnings are mostly retained, the market may well take note of them in placing a value on the shares.

The conglomerate may even be in a position to follow this policy for a sequence of several years. Eventually, though, an economic downturn, or other reasons, may force an end to the policy of high capital expenditure. The loss of the tax allowances and the consequent rise in the tax bill will then compound any cyclical downturn in earnings, with doubly painful consequences for shareholders.

The accountants' rules, nevertheless, may be less appropriate to large companies — like Sappi — with a continuing programme of capital expenditure. In this type of situation, the deferred tax provision will continue to grow from year to year, as a time never seems to arise when there is no new tax relief available. Surveys of listed companies in the UK, the US and Canada have shown that of the amounts transferred to deferred taxation account, only about 2% to 5% has ever been withdrawn.

The necessity for full provision for deferred tax is also called into question by high inflation. This result flows from the fact that the deferred tax provision will generally have as its counterpart additional working capital rather than a sinking fund. Insofar as this working capital represents real assets rather than cash, it will preserve its value in real terms, and increase it in money terms.

A further complication is that a provision for deferred tax makes no distinction between short-term and long-term reversals. If a tax is deferred for, say, ten years, the earning power of the additional working capital over that period is considerable, especially if compounded. So, long-term timing differences are likely to be over-provided for, even without taking account of inflation. Mathematically speaking, it may be argued that it is lower UK corporate profits and yields, so a risk differential will be created. Hence recent purchases by UK investors of SA Breweries, Nedbank and Barlows.

In 1979, including golds, the JSE was the world's best performing stock market with an overall 85% appreciation. The industrial market gained 68%, which compared with, for example, a 37% rise in Sydney. Some have commented that this year the JSE could be the "dullest" market. But 1981 prospects look good provided there are no major upsets to growth or politics. "After a quiet period in which many companies will be re-rated and fundamentals catch up on share prices, 1981 the JSE could be a star performer — the signs are there."

The scene for growing share prices into 1981 appears to be set. Simon Brand, chairman of the Prime Minister's Economic Advisory Council, said recently that annual gdp growth of 5% seems possible throughout the 1980s with no real balance of payments constraints and less inflationary pressure. "Previously," says a fund manager, "many cost increases were absorbed for years, and consumers were hit hard when they came home to roost. Now there is a more rational approach."

Institutional funds are growing at some 18% compound annually and this year there should be some R2 000m for investment in prescribed assets and equities. But there are those who believe the market could end 1980 some 20% lower than it began, with no real appreciation until mid-1981. This dictates the approach of "watching which way the cat jumps" before committing funds on a short-term basis. The time for super capital gains has passed, and near-term investors are probably best advised to buy on special situations or hold out until a more certain trend has been established.

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[illegible]

(58) FM 9/5/80

ANGLO PROPERTIES

A kiss of life

Inevitably the Old Mutual/Amaprop deal on Durban Bay House has set tongues wagging. After all, at R11,264m it's the biggest single-unit transaction on record.

Already there's talk of winners and losers and the Durban view, at least, is that Amaprop and partners Poynton Investments Trust and Nedbay (Acutt family) have ended up on the wrong end.

From the Amaprop viewpoint that's an over-simplification. More important, the deal finally confirms that there's a major reshuffle going on in the massive Anglo property portfolio.

True, Amaprop and partners have taken a loss of some R2m on development cost, but then Mutual is reported to be in at a 7% yield which is no great shakes either.

The secret, of course, is that it can afford to hold. And in an improving market with rentals coming up for reversion, there's every chance of turning the investment to good long-term account. The same reasoning lay behind its equally low-yield purchase of the IBM Building in Johannesburg for R11m (now the second biggest deal on record) at the beginning of the year

Cash-strapped Amaprop has had to look at it in a different way. First off, it is beholden to Anglo American itself for some R20m in short-term loans. And, family or not, they haven't come cheap.

The decision, therefore, was to hold for the sake of an escalating cash flow or sell and use the money to lighten the loan burden. Amaprop holds only 54% of the investment but it also has major loans in the owning company which will enable it to walk away with R9,5m cash.

The considered view was that more benefit would accrue from realising the cash to cut punitive interest payments. But the deal represents more than just another sale. In little more than six months Amaprop has got shot of Cabana Beach (R8m repayable over a period), a block of Pretoria flats (R2m) and a vacant Pretoria development site (R500 000).

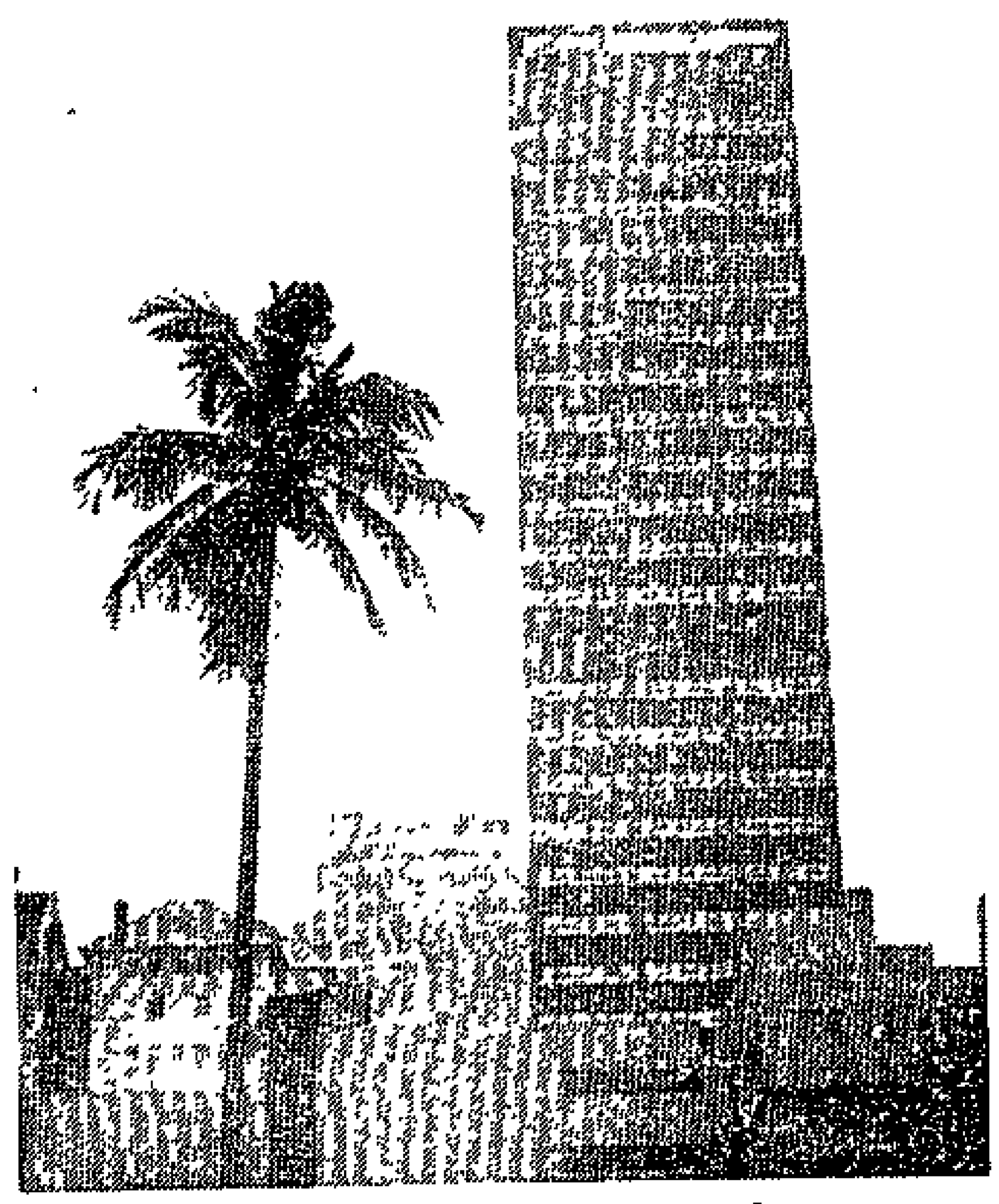
Clearly, the company is moving to consolidate its activities in the township sector where it has chalked up signal successes recently at Prospecton, La Lucia and Morningside.

It admits to the mistake of getting into the hotel business in the first place. And, while retaining township sites for sectional title development, Amaprop is keen to get out of managed residential property. Also, it has no intention to develop further shops and offices.

So recent divestments will enable it to pay off over R10m, or more than half, the Anglo loan. The company will also be in a better position to service the backlog on the cumulative prefs which now stands at an uncomfortable R7,5m.

Of course, it is holding onto the winners Carlton's payout of 4c a share, for example, will net Amaprop about R350 000 on its 29.9% holding. And the way things are going the dividend cheques are going to get still bigger It should help nurse the company back to health, but there's still little prospect of an ordinary dividend for 10 years

If Amaprop is sticking to townships, it follows that stablemate Sorec will lean more towards shops and offices. It showed its hand this week with the chairman's official confirmation of new developments in Braamfontein (office block), the Johannesburg CBD (shops on the 20th Century site) and Pretoria (offices on the Opera Plaza site).



Durban Bay House . . . highest yet

Sorec owns the properties and will develop with borrowed money which it is now seeking in the softer market. So that looks like the shape of things to come — a concentration on shops and offices on its own sites with borrowed money. Significantly, there's no talk of further development in the residential sector.

Although in profit, Sorec has also withheld dividends for a while. But with the help of retained earnings and the sale of its interest in Sandton City (*Property* March 7), it has cleared the short-term debt and looks certain to re-establish dividends next time round.

The distinctive split between the two quoted companies in the group will go a long way towards solving any conflict within the management company, Ampros.

There have been fears, both real and imagined, that one could be favoured over the other. Ampros has faced the problem since it was formed five years ago to manage the merged Anglo/Schlesinger property interests. With the market on the move, the problem could recur.

The dilemma is bad enough with Sorec and Amaprop, but there are other companies looking for attention as well. African Eagle (AE), for example, has been out of the market for some time and is likely to be back looking for investment. Sorec is a subsidiary but, like most insurers, AE can't ignore the chance of investing on its own behalf.

There are other group interests to look after as well. Like SA Townships, Amcoal, AAC itself and the company pension funds But Ampros seems to be well on the way to sorting out the spiderweb of problems that the consolidated portfolio presented Hopefully, everyone is going to end up a winnner.

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FM 9/5/80 (58)

SAGE

No attraction

Activities: *Finance and investment company with interests in life assurance, property, home building, unit trusts (both equity and property), and data processing.*
Chairman: *A S Thomas; deputy chairman & managing director. H L Shill*
Capital structure: *13,5m ordinaries of R1; 4m 10.5% redeemable prefs of R1. Market capitalisation: R33,1m.*
Financial: *Year to December 31 1979. Borrowings: long- and medium-term, R8,1m; net short-term. R5,0m. Debt: equity ratio: 35,1%. Current ratio: 1,2.*
Share market: *Price: 245c (1979-80: high, 300c; low, 150c; trading volume last quarter, 771 000 shares). Yields: 9,4% on earnings; 6,1% on dividend. Cover: 1,5. PE ratio: 10,7.*

	'76	'77	'78	'79
Return on cap %	17,9	14,3	13,7	13,1
Pre-tax profit (Rm) ..	8,5	6,8	4,9	5,9
Earnings (c)	23,9	23,7	18,8	22,9
Dividends (c)	13,5	14	14	15
Net asset value (c)	105	187	184	181

While the annual report makes much of the upturn in the economy, and the benefits of this to group companies, it is clear from the accounts that the main factor behind last year's profit improvement was the financial restructuring which took place about mid-year.

As a result of this restructuring, Sage was able to reduce borrowings by 43%, from R25,4m to R14,5m, and interest savings amounting to R834 000 represented about 83% of the increase in pre-tax profits. The rest of the increase was accounted for by a lower leasing bill which dropped R201 000 to R396 000, mainly as a result of reduced charges for data processing equipment. This was, however, partly offset by a R71 000 increase in depreciation.

From this, it is apparent that whatever benefits the group derived from the improved economic climate, they were offset by a loss in Schachat which failed dismally to achieve the previous annual report forecast that its R687 000 profit in 1978 would be maintained.

Sage's Louis Shill . . . looking for a satisfactory increase

By mid-year Schachat was already R386 000 in the red and, while there is no comment in the latest report as to the position for the full year, it is probable that the company's performance mirrored that of Goughco (*Companies*, May 2) by breaking even in the second half, thus leaving the loss at around the first-half level.

The report does say, however, that Schachat is now once more operating profitably and its contribution to group results is expected to increase progressively. This will presumably come about as the company works off its low-margin contracts taken on before the property market turned up.

Sage continues its policy of not disclosing profit contributions from its varied activities, a serious shortcoming, considering that the group administers funds in excess of R300m.

The only contributions which can be readily identified are those of listed companies such as Union & London and Ned-Equity, owned 75,8% and 42,5% respectively. But as the combined attributable profits of these two account for only 32% of the total, this still does not provide any meaningful basis on which to project future results.

The best shareholders have to go on is the 31% earnings improvement achieved during the second half, and the directors' comment that earnings this year should show a "satisfactory increase."

They add that the improved financial structure, which has seen the debt equity ratio reduced from 95% in 1978 to 35%,

Fm 9/5/80

58

AFROX

African Oxygen Limited

Interim report, March 1980

The results of the Group for the six months trading to 31 March 1980 with comparative figures, are as follows:

	Six months to 31.3.80 (Unaudited) R'000		Six months to 31.3.79 (Unaudited) R'000	Year to 30.9.79 (Audited) R'000
Turnover	83 536	+23%	67 752	153 490
Profit before taxation	12 007	+33%	9 026	22 069
Taxation	4 503	+15%	3 930	9 204
Profit after taxation	7 504	+47%	5 096	12 865
Attributable to outside shareholders in subsidiaries	(53)		(48)	(122)
	7 451		5 048	12 743
Extraordinary items	483		114	1 979
Profit attributable to shareholders	7 934		5 162	14 722
Number of ordinary shares on which earnings per share are based (1 000)	29 823		29 626	29 598
Earnings per share (before extraordinary items)	25,00c		17,04c	43,05c
Dividends per share	12,00c		9,00c	21,50c

The improved results are due to increased business activity following the upturn in the economy and the marketing of a wider range of products.

The sale of 49% in Dowson & Dobson Electronics Ltd. was effected on 1 October 1979 resulting in an extraordinary profit of R483 000 and the remaining shares will be sold on 1 October 1980.

To maintain the Group's market position, a substantial capital expenditure programme is in progress with R22 million estimated for the current year and R27 million for 1981.

The effective tax rate (37,5%) decreased due to the tax allowances on capital expenditure.

Improved trading conditions are expected to continue and the growth pattern should be maintained during the remainder of the year.

Mr David Bloomberg was appointed a director of the Company on 1 March 1980.

J. B. Sutherland
Chairman

Ian Mackenzie
Director

Dividend notice

Notice is hereby given that ordinary dividend no. 108 at the rate of 12,0 cents per share (1979 – 9,0c) has been declared in respect of the six months ended 31 March 1980, payable in South African currency on or about 31 July 1980, to members registered in the books of the Company at the close of business on 27 June 1980. Non-resident shareholders' tax at applicable rates will be deducted from the dividends payable to members whose addresses in the register of members at the close of business on 27 June 1980 are outside the Republic of South Africa.

The transfer books and register of members of the Company will be closed from 28 June to 6 July 1980, both days inclusive.

By order of the board
W. C. Lubbe
Group secretary

2 May 1980

Registered office
Afrox House
23 Webber Street
Selby
Johannesburg
2001

Transfer secretaries
Hill Samuel Registrars (S.A.) Ltd.
P.O. Box 62318
Marshalltown
2107

Hosken final up

RDM 9/5/80.

Financial Reporter

THE insurance holding company, Hosken Consolidated Investments, has achieved record yearend results.

The final dividend has been lifted by 1c to 8c, making a total of 14c from earnings of 28,8c a share. Last year's 13c dividend had a slender cover of 16c a share.

HCI's estimated taxed profit for the year to last March is R2 104 000 against 1979's R942 000. Minorities take R687 000 (R195 000), leaving R1 417 000 (R747 000) attributable to ordinary shareholders.

Excluded is a R1 234 000 profit from the sale of investments. As these profits arose mainly from the sale of 50% of the shares in the broking arm to Priceforbes Federale Volkskas, they are non-recurrent.

The market expected good results from HCI and the shares have risen to 125c. They could go further as dividend yield is 11,2%.

Barlows thumps forecast

RDM 10/5/80. ~~210~~ 58

By HOWARD PREECE
Financial Editor

BARLOW RAND has produced gold-lined results for the six months to March 31, with attributable taxed profit up 71% from R53 730 000 to R92 109 000. The interim dividend has been raised from 12c to 18c in keeping with a profit performance that has far exceeded the group's original hopes.

Turnover was up by 46% from R1 042-million to R1 517-million.

Barlows, the industrial/mining giant, has excelled across the board. But the windfall from Rand Mines gold interests gave the interim results a particularly handy boost, even though the contribution is still small in relation to total profits.

Investment income, essentially from the Harmony, ERPM, Blyvoor and Durban Deep gold mines, rose from R8 770 000 to R17 531 000.

A statement on the overall results says. "The higher growth rate in profit is largely due to better margins, management controls and higher dividend income from gold investments."

Earnings a share at the halfway stage were up 62% from 46,5c to 75,4c after some weighted average dilution from additional issued shares, notably through the C G Smith takeover in December last year.

Pre-tax profit was up by "only" 59% from R134-million to R214-million.

The tax incidence was considerably reduced, however, from higher dividend income and through greater use of tax allowances on new plant and machinery.

Of course, the slice going to outside shareholders — basically in TC Lands, Plascon-Evans, C G Smith and GEC — also rose sharply, from R27-million to R50-million.

Mr Mike Rosholt, executive chairman of Barlows, says: "In general the growth in profits and earnings reflects the improved performance of the South African economy.

"A strong domestic market for domestic steel and sustained export demand for ferrochrome resulted in Middleburg Steel & Alloy earning higher profits.

"The mining division benefited from increased coal revenues.

"The improvement in consumer demand and the strong

"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 South Africa this year, other than to slow down the 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."

He warns, however, that while this should ensure a substantial growth in earnings over 1979 the rate of increase in the second half of this year is unlikely to match the first half.

COMMENT: Net earnings rose by 46% in 1978-79 and Mr Rosholt suggested in the annual report that growth this year might not be as strong.

With the halfway net earnings up by 62%, it is certain that growth in 1979-80 will end up even higher than in the previous year, even with Mr Rosholt's caution about the second half of this year.

Still, underestimating of profit by Barlows is an established, and understandable, tradition.

Last year the group paid a total dividend of 30c. This year a final of 33c (20c) and a total of 54c look possible.

The share price has, of course, bounded up since the annual report — market capitalisation is up R300-million since last September — although at 930c yesterday it was well off the year's peak, and 45c higher on the week.

That puts the prospective dividend yield around 6% with a three times cover.

Superb though the results are, the market has probably anticipated them well and the share price may not make big immediate headway.

Barlows remains, though, as blue a chip as it has ever been.

Big shift in saving patterns

Sun Times (Bus. Times)

11/5/80 (58)

By JOHN SPIRA

WIDESPREAD expectations that interest rates will soon go higher are producing significant shifts in South African savings patterns.

Millions of rands are being chanelled from long-term into short-term savings media.

It is a trend which has been particularly marked in building societies, where many savers, whose fixed period five-year shares have recently matured, are diverting their funds into shorter term investments.

Piet Badenhorst, United's managing director, concedes that for the present the five-year shares are unpopular because of the lengthy period over which purchasers of these shares are locked into their investment.

"But," he adds, "the weight of funds being withdrawn from these shares is almost invariably being reinvested with the societies in other, shorter term, avenues — which means that the money is not being lost to the building society movement."

Investor resistance to the re-investment of their funds in fixed period shares for a further five years is especially understandable when it is borne in mind that when the investment was made five years ago, the rate was 10% (it is only 8,5% now) and the tax advantages were far greater then than they are now.

Not that the tax benefits were any different then (one-third of dividends are still tax-free as they were then). But marginal tax rates have dropped in the intervening period, making these shares less attractive from a tax angle than they were five years ago.

For those building society investors who are unwilling to tie up their funds for five years at a relatively low 8,5%, the obvious alternative is for them to direct their savings into the societies' ordinary paid-up permanent shares, which pay 8%, offer the same tax benefits as the five-year fixed period shares and which have the additional facility that the funds can be withdrawn after 18 months.

Such a step will give investors greater flexibility, with the opportunity to switch their money into the five-year shares 18 months hence — at a rate higher than the ruling 8,5% — if expectations of higher interest rates materialise.

What are the implications for the societies of this shift in deposits from long to short?

Traditionally, societies do borrow short and lend long. But how short is short?

According to Mr Badenhorst, the shift in deposits from long to short is in no way affecting the societies' lending capability because they are experiencing a strong net inflow of money.

"If we find that our rates are not competitive, they would have to be raised," he says. "For the time being, however, there is no need to do so."

Howden stake

22e 58

ALEXANDER Howden Group, the London-based insurance brokers, has acquired an additional 1 527 000 shares in its Johannesburg Stock Exchange listed insurance broking subsidiary, Alexander Howden Group (South Africa).

The Alexhow Group UK, which had profits of R35 411 000 in its latest financial year, has as a result of the acquisition boosted its stake in the South African company from 67,5% to 90%.

RDM 12/5/80

The shares acquired represent the holdings in Alexhow formerly held by Hill Samuel. They are the residual stake held by Hillsam following the banks' decision to divest most of its pension and insurance interests.

Payment was 133c a share. Current market price is 135c.

Escom rate anomaly in untidy market

(58)

RDM 12/5/80.

By HAROLD FRIDJHON

THE THINNESS and untidiness of the capital market at the end of last week is epitomised in the anomalous Escom rates situation. While the rate for the new 25-year loan has been fixed at 9,64%, par stocks on the market were quoted at 9,74% — a clear 10 points higher, which reflects either anxiety or uncertainty.

There really should be no uncertainty; it is well known that the authorities have no desire to see long-term rates forge ahead. The signals from Pretoria are that Church Square would like to see the market shuffling sideways for some little time ahead.

The authorities don't want rates to rise too sharply too soon lest all those enterprises which plan to extend productive capacity become discouraged by having to pay too much for their money.

But Escom is certainly paying a lot more than bargained for last month. The commission is coming to the market for R50-million — instead of R85-million — and the rates are many points above those which were canvassed at the time.

As I have mentioned, the 25-year is at 9,64% all-in, the 12-year is pitched at 9,17%, with a seven-year at 8,26%. I believe indications are that the issue has been oversubscribed with the sub-underwriters being cut back by 15%.

But there is doubt in market circles whether the long-term loan will attract the money which usually flows to an Escom long-dated. The medium and the short should pull in the funds because the rates appear to be finely tuned to the prevailing market mood.

Looking at the Escom rate, it would seem that Senbank judged the market shrewdly with its recent R25-million Uskor issue. There were two legs to this loan — a 17-year at 9,50% and a 12-year at 9,05%. I am told that the longer leg brought in most of the money, about R15-million. On this basis the Escom 12-year almost looks like a give-away.

It is precisely because the capital market lacks any clearly discernible pattern at the moment that the issuing houses are finding the going hard at a time when there are a number of smaller issues on the go. Pitching rates is not simple and straight forward, and the houses are trying to overcome the difficulty by stretching out or contracting periods of loans to construct rates which are institutionally acceptable.

There is no denying that last month's Escom fiasco ruffled the market.

The short-term market is a little more stable, although it is suffering from wide swings in the volume of money which is ebbing and flowing through the banking system.

The money market is extremely liquid as cash flows back from the mid-month cutback in notes in circulation, as Government spending appears to be pumping cash into the system, and as the forward cover discount starts making itself felt.

But one would not suspect this situation from the Treasury bill tender on Friday when the rate bounded four points higher to 4,40% against the previous week's 4,36%. The tender did not attract the volume of money which one would have expected from a liquid market — only R66 300 000 for the R50-million bills on offer.

Probably the reason for this was that the Reserve Bank started issuing its 113-day special tax tap bills on Friday with a rate of 4,5% and it is said that the tap will be on again today. These bills will mature on August 29, two days ahead of provisional tax payments.

The tax tap bills will drain some of the excess liquidity from the market and will probably result in the institutions being strapped for cash again at the monthend. Market sources calculate that by the end of the month the present liquidity could swing to a deficit of between R300-million and R400-million. It was even suggested that this fugure would go higher.

The indications are that the authorities would like to see the short-term rates harden a little.

But as the higher forward cover discount starts to induce a return to South Africa of some of the money which has been used to finance foreign trade, liquidity might build up in spite of the array of instruments which the Reserve Bank now has at its command.

Trying to draw a bead on the rates trend in the short term is as confusing as the longer-term view. The authorities are firmly in control and they are playing the game with the cards held closely to the chest.

(58) RDM 12/5/80

Amaprop focus on existing portfolio

ANGLO AMERICAN Properties is concentrating on increasing profitability on the existing portfolio and other than limited investment in the township market no new business is contemplated, says the chairman, Mr Gordon Waddell, in the annual report.

Well-located shop and office buildings are demanding better rentals, with surplus space in all the major centres in South Africa falling.

It is expected this trend will accelerate in the next two years because little space has been built to meet new demand.

Mr Waddell says both the Morningside and La Lucia township land owned by the company have general residential stands. The best prices can be obtained for such land by developing townhouse sectional title units for resale.

The company has entered into joint ventures with specialists in this field for the development of 52 units in Morningside and 42 units in La Lucia. It is expected that profits will be earned over the next two years.

He notes that the pref dividend was again passed and arrear dividends on these shares now exceed R7-million. Any declaration of a pref dividend must be in excess of R1-million a year to stop the arrear dividend from accumulating and then be increased to reduce these areas. — Reuter.

Metkor income soars

RDM 13/5/80

Financial Reporter

METKOR Investments' dividend income jumped to R4 564 230 in the six months to last December from the 1978 half year's R2 451 567 and attributable taxed profit climbed to R3 543 000 from R2 235 000.

Interim earnings are 6,12c, surpassing the previous full year's 5,46c, but dividend prospects are conservative — an unchanged 5c for the year ending June after having paid a large preferent dividend of R1 246 000 in March this year.

The jump in interim dividend income stemmed from payment of a maiden dividend by Air Products of South Africa (Pty) and an increased dividend from International Pipe & Steel Investments (Pty).

Since March, Wispeco and Hart have become Metkor subsidiaries, but these companies, although doing better, are unlikely to make much difference to Metkor's income by the June year-end.

'SA must encourage the multinationals'

STAR 13/5/80 (60)

THE ASSEMBLY — The Government had to create the right climate to encourage multinational corporations to invest in South Africa and generate labour intensive industries, Mr John Malcomess (PFP East London North) said yesterday.

Speaking in committee on the Industries, Commerce and Consumer Affairs Vote, he said the companies could utilise local and imported materials to manufacture goods for world-wide export.

Many Western countries had sufficient infrastructure but lacked the final element, labour. South Africa had a large pool of unskilled labour.

South Africa needed job opportunities while the Western world needed unskilled labour. But the cost of providing jobs was escalating sharply.

An estimate had shown that R35 714-million was necessary to provide another one-million jobs here.

For that reason it was obvious that ouside investment had to be a major part of South Africa's strategy.

South Africa can capitalise by providing the labour pool the Western world needed so badly — Sapa

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Allied raises limit on middle-income homes

STAR 14/5/80 (58)

By Frank Jeans

The Allied Building Society has opened up the middle-income home market by raising its lending limit on 90 percent loans from R28 000 to R45 000.

This has been made possible through the use of the Allied's insurance company which provides the guarantee in terms of the Building Societies Act.

The guarantee is obtainable by the payment of a single premium of 10 percent — where the repayment term exceeds 20 years, and 8,5 percent if it is less than 20 years.

People will now qualify for larger loans in the areas where housing within the R28 000 limit is unobtainable.

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Public Sect BAD.
" " Coloured
Taxation General.
Totalitarianism — Detentions
" Political Trials
" General.
Teachers — White
Public Sect. Transport General.
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Question 9 (b)

(58) RDM 14/5/80. ... to capture

Wives, minors to get banking rights

Political Correspondent

CAPE TOWN. — All married women are to get the right to open bank accounts without controls by their husbands.

They are to gain full rights to cede, pledge, borrow against and deal with any deposits in their own right.

And husbands will lose the right to demand from banking institutions that they give details of wives' deposits.

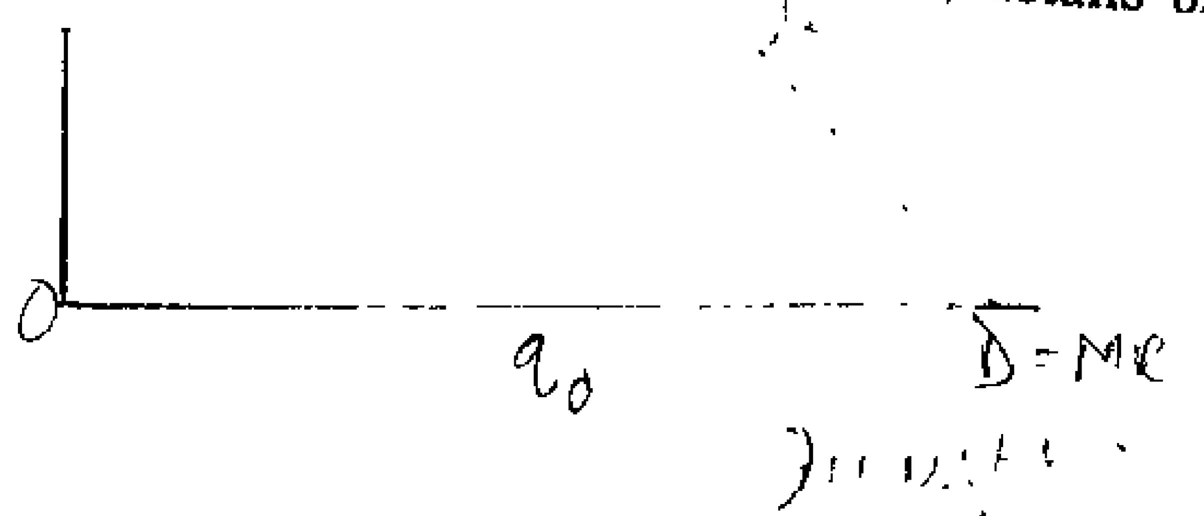
Minors over the age of 16 are also going to be able to open bank accounts in their own right.

These new powers for wives and minors will be granted in terms of the Financial Institutions Amendment Bill, details of which were released in Parliament yesterday.

At present, wives married in community of property are subject to their husbands' control when they open bank accounts and husband's signatures are required when married women open bank accounts.

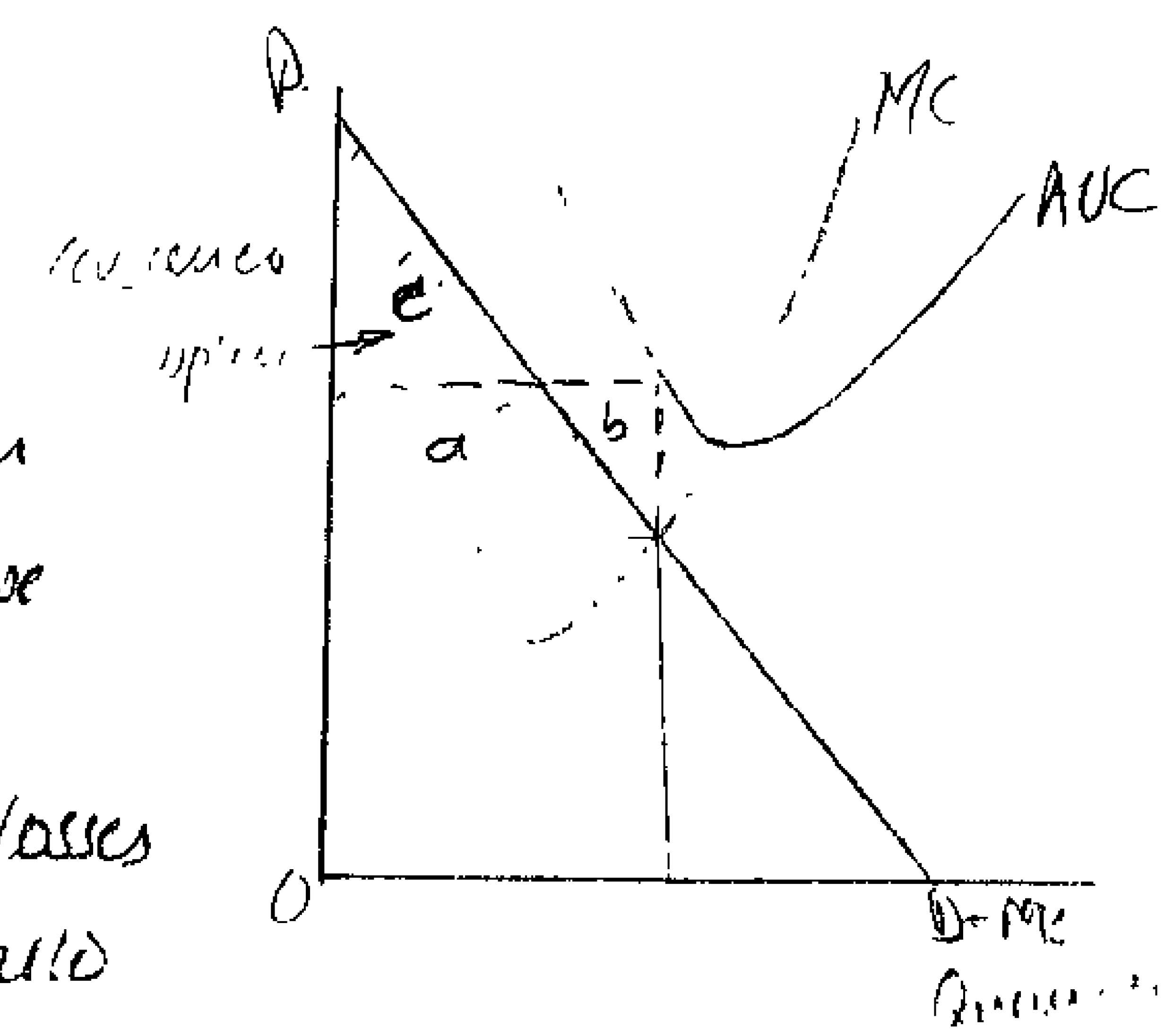
The new law will remove the controls that husbands have been able to exercise over their wives' investments since the early days of Roman law.

The Bill says a minor over 16 or married women "whether under marital power or not" may be depositors with banks and may "without the consent or assistance of his or her guardian or her husband, as the case may be, execute all necessary documents".



... is a control of the good & people can be prevented from buying the goods & selling them elsewhere for a profit & thus capturing some of the consumer profit for themselves

The shaded area is the consumer surplus above the equilibrium pt P_d; q_d. Here D = Marginal Revenue because we are capturing the consumer surplus (i.e. every extra sale over & above the Equilibrium price is a net addition to Revenue & therefore MR=P=D)



Price discrimination would make possible the production of a good that would not have been profitable with single pricing because the consumer surplus captured = net addition to Revenue & any losses incurred by the producer would be covered by the consumer surplus.

As long as b is smaller than c (as a = R = Losses) it will be profitable to produce as c = Revenue b = losses so as long as R > losses it will be profitable to produce

10,5

Anamint value

58

14/5/80

Financial Reporter

MR H F Oppenheimer, chairman of Anglo American Investment Trust, reports in his annual review that the net asset value of Anamint at March 31 was 10 436c a share compared with 9 148c at March 31 last year.

Anamint closed at 10 300c yesterday.

He says the increase in net asset value of the shares was largely due to the improvement in the price of De Beers share on the JSE from 840c on March 31 1979 to 970c at March 31 this year.

Anamint sold Amic shares in the past year and used the proceeds to partly finance the acquisition of a further 2 2[illegible]0 711 De Beers shares. The company now holds 27[illegible] on the equity of De Beers.