FINANCE - GENERAL

1992

Absa takes bad debt (58) provision in stride

STAR 1/12/92

By Derek Tommey

The strength of the enlarged Absa, which took over the ailing Bankorp group at the beginning of April, shows up clearly in its report for the six months to September.

Although Absa provided R420,1 million (year ago, R220,3 million) for bad and doubtful debt, it was still able to increase attributable profit by 41,7 percent to R293,8 million (R207,3 million).

An interim dividend of 17c (15,5c) has been declared on a share capital enlarged by almost 25 percent.

The merger with Bankorp increased Absa's total assets by 47,1 percent from R56,2 billion at the end of March to R82,7 billion at the end of September.

It also increased advances by more than 50 percent from R42,2 billion to R63,8 billion.

Investments

Interest on advances rose 42,7 percent to R5,7 million (R4,03 billion).

Interest payable increased 35,4 percent from R3,45 billion to R4,68 billion.

Income from investments rose from R554,5 million to R786,0 million.

"Other" operating income almost doubled from R449,6 million to R856,5 million.

Chairman Herc Hefer and managing director Piet Badenhorst say policy on debt provisioning has been applied to ad vances acquired upon the merger with Bankorp.

This, together with prolonged recessionary conditions, resulted in the substantial increase in provisions for doubtful debts.

Despite the problems of merging, the rationalisation of Absa and Bankorp has been substantially completed.

All wholly owned banking interests have been consolidated in Absa and operate on a divisional basis within this single entity.

"While some savings have already been achieved, the full extent of the benefits of rationalisation are still to be realised.

"Although no significant recovery from the prevailing recessionary conditions is expected in the second half, the group is expected to perform satisfactorily," the directors say.

HILARY GUSH

Finrand moves up on news of curbs

NEWS that Finance Minister Derek Keys had curbed finrand payments for offshore investments moved the currency sharply upwards early yesterday, but selling later in the day saw the unit lose some ground.

After finishing at R4,86 against the dollar on Friday, keen demand out of Europe saw the finrand open more than 2,7% firmer yesterday, at R4,73. Afternoon selling pushed the currency back to finish at R4,84.

Keys's weekend statement was seen as a confidence-building move and dealers expected the "well-oversold" unit to strengthen to R4,65 in the coming weeks.

Most traders welcomed the statement, but added that uncertainty still overshadowed sentiment. Even if payment for Reserve Bank-approved offshore acquisitions was staggered over time, finrands would have to be sold and the unit's value would be affected, they said. Others said intervention by the authorities prevented the finrand from being a true barometer of foreign investor confidence.

The unit is expected to trade in a range of R4,70 to R4,88 for the rest of the week.

On the back of persistent dollar strength, the commercial rand weakened further yesterday. From a weekend close of R3,0220 against the US currency, the rand fell to a morning low of R3,03 before closing slightly firmer at R3,0213.

Plunge in loans granted by Development Bank

BIDAY 11.2.92 (58)

GRETA STEYN

THE Development Bank of Southern Africa's loan disbursements plunged by 60% to only R161m in the six months to 30 September, partly reflecting the lack of political consensus.

The bank said in a statement on its interim results that it had paid out R400m in loans in the same period last year.

Among the reasons for the slowdown in disbursements this year it noted political uncertainties which had "complicated the ability to reach consensus on the implementation of projects".

Other factors were the slowdown in loan demand because of the recession and the effects of the drought on development finance. Drought relief efforts had shifted the emphasis away from development lending to the provision of relief.

The bank had taken steps to address the problems that had resulted in the slowdown in loan pay-outs and the situation was set to improve in the second half of the financial year.

Nevertheless, it would still pay out less in the present financial year than it did in the previous one — R750m compared with R759m. It had originally budgeted to disburse about R1bn, but early indications had forced it to revise this figure.

The bank expected a marked turnaround in the next financial year, based on projects for which funds had been allocated but not yet paid out.

In the first six months of this fiscal year, it had approved 87 new projects worth R931m compared with 36 projects worth R136m in the same period last year. This would result in higher disbursements next year.

Overhead expenditure was within budget for the half year and the annual increase is expected to be only 5% higher than the previous year. The bank had completed an internal study on costs and had decided on rationalisation measures to achieve savings.

The interim operating surplus (profit) before provision for loan losses was well ahead of budget at R74m and more than double the surplus achieved in the same period last year. No increase in loan loss provision was deemed necessary.

The bank had increased its support for "non-traditional" borrowers such as non-government organisations and Regional Services Councils.

The bank was also involved in drought relief.

Warning on syndications

(58) PETER GALLI

A STRONG warning to prospective investors in property syndications to exercise caution when considering such investments was issued yesterday by the Financial Services Board.

"Investors are strongly advised to consider seeking proper independent professional advice in all such cases and to bear in mind that the projected incomes offered are based on various assumptions and are not guaranteed," said executive officer Piet Badenhorst.

The risks inherent in this kind of investment for the uninformed investor could not be underestimated, particularly in the current economic climate, he said.

Promoters of certain property syndication schemes were using "various aggressive techniques" to promote their schemes in the media, and the public needed to be made aware that many promoting companies normally acted only as agents and the commercial risk lay entirely at the door of the investor, he said.

Under its auspices, the Public Property Syndication Association (PPSA) was recently formed as a division of the SA Property Owners' Association (Sapoa) with its own constitution, code of conduct and elected committee.

PPSA has already signed up 20 members and established a Standards' Authority sub-committee, which will police the existing code and draw up an advertising code.

PPSA chairman John Dixon yesterday supported the board warning which was pertinent in the present economic climate.

"Professional advice should be taken before an investor commits his money. We will be looking at an advertising code next year and are striving to achieve self-regulation and investor protection, but this takes time," he said.

FSB Pooled Investment Schemes manager Gerry Anderson said yesterday that several advertisements had appeared in the media since the formation of the PPSA that went "against the spirit and objectives of the association".

"As yet the PPSA is not controlled by a specific Act, but we are striving for full disclosure as this will assist prospective investors in making an informed decision."

Seeff Organisation Holdings chairman Lawrence Seeff agreed, saying that investors needed to have access to all the facts and to examine all their options before taking a decision.

Absa shakes off effects of bad debt

B/DAY 1/12/92 (58)

SHARON WOOD

A FULLY-merged Absa Group yesterday produced earnings growth of 14,3% to 51,9c a share in the six months to end-September from 45,4c the previous year.

The results were achieved in spite of bad debts jumping 90,7% to R420,1m (R220,3m).

The results for the interim period, which include Bankorp for the first time, cannot be compared meaningfully with the previous year's interim period when Bankorp was not yet part of the group.

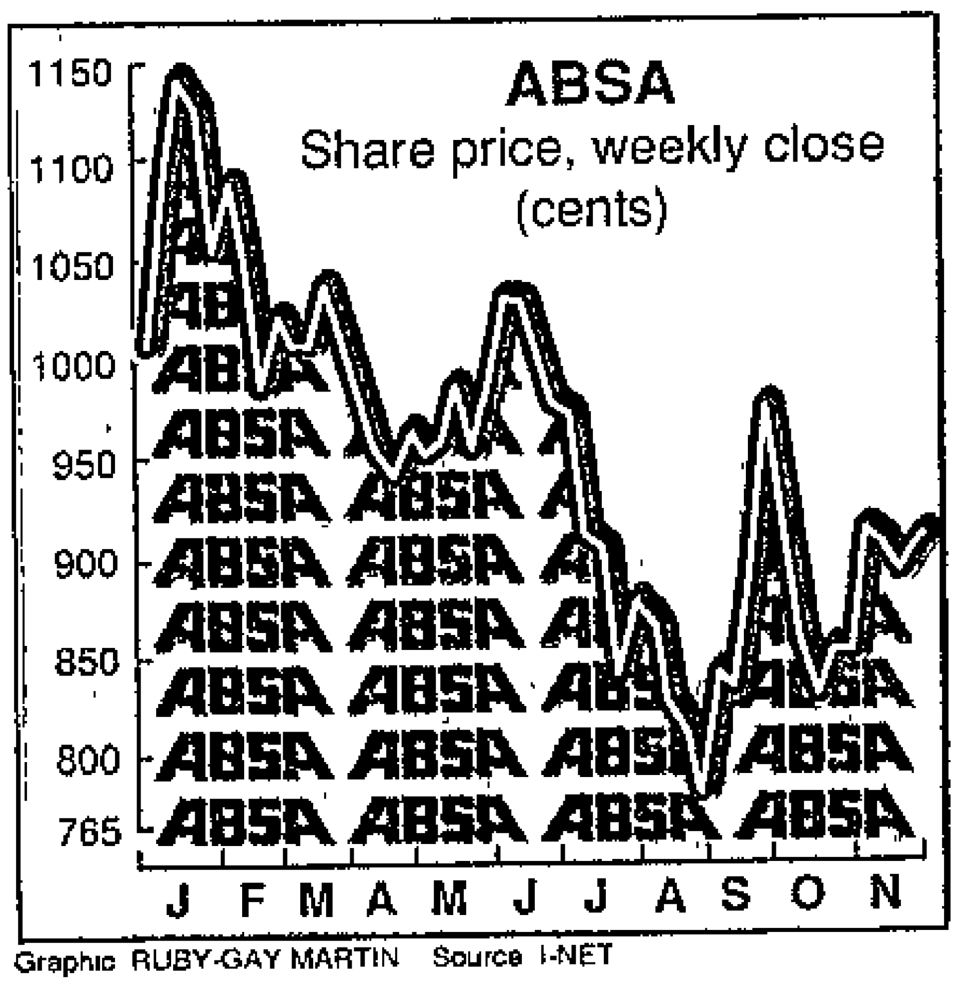
Total assets of the group expanded to R82,7bn during the period, from R52,9bn in September last year.

Net interest income grew by 64,4% to R1,85bn from R1,13bn the previous year.

CE Piet Badenhorst said the Bankorp merger and prolonged recessionary conditions had resulted in substantial increases in provisions for doubtful advances.

Net attributable income increased by 41,7% to R293,8m from R207,3m.

Badenhorst said the rationalisation of Bankorp interests into Absa had been substantially completed. While some savings had been achieved, the full benefits of rationalisation still had to be realised.



Graphic RUBY-GAY MARTIN Source I-NET

"Against a background of continuing unsettled political and recessionary economic conditions, keen competition and escalating bad debt, the group has achieved satisfactory financial results."

He did not expect a significant recovery from the prevailing recessionary conditions during the second half of the financial year, but predicted another satisfactory performance during the period.

COMPANIES

African Bank lifts net income

BDAY 1/12/92

SHARON WOOD 58

AFRICAN Bank lifted net income after tax by 20,9% to R1,6m from R1,4m in the 12 months to September.

The bank has changed its year-end from September to March and results are unaudited for the 12-month interim period.

A dividend of 8c a share was paid, up 6,6% on the previous year's 7,5c dividend. CE Jack Theron said it was the first time African Bank had paid an interim dividend and this was in line with the bank's conservative policy. He did not know if the bank would continue to pay interim dividends.

Theron expected African Bank to perform much better during the last six months of the financial year because the company was growing and the quality of the its book was improving.

There were a number of acquisitions in the pipeline. The bank had opened outlets in Welkom and Denneboom Station during the period and branches were planned for Qwa Qwa, Germiston and East London before year-end.

Total advances had risen by 24% to R243m from R196m during the 12-months period ended September 1991; home loans had grown 77% to R80m from about R45m.

Home loans would be a major growth area for the bank in the next six months. Bad debt experience had been much better than the other major banks because African Bank had a well-spread, countrywide book, avoided high risk areas and did not get involved in developments.

Banking giant flexes muscle

Business Staff (58) ARGT 1/12/92

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Absa boosts interim profits to R294m

(58) CT 1/12/92

JOHANNESBURG. — SA's largest banking group, Amalgamated Banks of SA yesterday reported a R86,5m increase in attributable profit to R293,8m for the six months ended September.

Figures released by the group late yesterday afternoon were not meaningfully comparable with the first six months of the previous year since the group had made substantial acquisitions.

An interim dividend of 17c a share was declared compared with 15,5c in the first six months of last year from earnings of 51,9c and 45,4c a share respectively.

In a statement chairman Herc Hefer said the group's policy in respect of specific provision for doubtful debts had been applied to all advances acquired through the Bankorp merger.

This has resulted, along with the prolonged recession, in a sharp increase in the bad debt provision to R240,1m from the previous interim provision of R220,3m.

Hefer said the rationalisation of the Bankorp interests into ABSA had beeb largely completed, with all the wholly-owned banking interests consolidated within Absa Bank on an individual basis.

While some savings have been achieved, the full benefits of the rationalisation still have to be realised.

Hefer said the group had performed satisfactorily during the priod under review, given the unsettled political and recessionary economic conditions, keem competition and escalating bad debt.

He added that while no significant economic recovery was anticipated for the second half of the year, ABSA was expected to continue to perform satisfactorily. — Sapa

Plans to beef up security of investors

BIDAY 11/2/9 GRETA STEYN (58)

FORMER London Stock Exchange chief surveillance officer Bob Wilkinson has made 37 recommendations on surveillance at the JSE after an investigation arranged by the Financial Services Board.

FSB executive officer Piet Badenhorst said in the annual report yesterday Wilkinson's recommendations were being followed up with a view to implementation. The FSB wanted to improve investors' security "with regard to the conduct of stockbrokers and the dealers of institutions who conduct business with stockbrokers".

A request for the appointment of a commission of inquiry into the finances of medical aid schemes and their unequal competition with insurers had been made.

Badenhorst said the FSB believed "the existing pay-as-you-go method of financing has resulted in serious financial problems for a large number of medical schemes and that enabling legislation for improved financial supervision of these schemes is of the utmost importance for the members of these schemes".

The report also noted the privatisation of public sector pension funds was on the cards. The FSB was involved in drawing up enabling legislation for registration of public sector pension funds as private funds. BIDAY 1/12/92.

It saw its future challenges as integration of financial services, rationalisation of institutions and services, extending self-regulation and consumer protection, enhancing investor protection, educating investors and technological development.

The majority of FSB staff members had come from the private sector, thus augmenting the expertise in actuarial, accounting, legal and management personnel. But there were several areas where expertise had to be introduced.

● See Page 3

STM 2/12/92.

Finance Staff

GDM shows 11 pc growth

(58)

Earnings of trade finance group GDM Finance showed a satisfactory growth of 11 percent in the interim period to end-October despite the continued poor economic conditions in SA and overseas.

Attributable earnings rose from R4,7 million to R5,3 million, equivalent to an increase in earnings per share from 18,5c to 20,5c.

The interim dividend is up to 5,8c (5,25c).

The results were in line with expectations despite what managing director John Cowper describes as poor trading conditions as a result of "the absence of a political settlement in SA and the prolonged recession both in SA and overseas.

He adds: "Nevertheless, barring any unforeseen circumstances, the company expects further growth in the second half of the year."

Many of the group's clients are showing good growth in their businesses. "We will grow with them and at the same time take advantages of promising expansion opportunities that present themselves."

GDM's gearing ratio improved from 3,6 to 3,4 over the period.

Seeff is looking for R1bn turnover soon

LINDA ENSOR 58

CAPE TOWN — Seeff Organisation Holdings had increased its total turnover by between 50%-60% to about R500m in the six months to end-August and, provided the political situation stabilised in the period until its year-end, would generate turnover of more than R1bn, chairman Lawrence Seeff said yesterday. B10M 2/12/92

Residential sales were just under R400m.

Seeff said the group had performed well, despite the difficult market, benefiting from its diversification and aggressive marketing programmes. The diversification programme was aimed at establishing a presence in all spheres of property and related financial services.

The financial services division, Seeff Trust, contributed 37,5% to group profits, Seeff Slot Projects 37,5% and Seeff Residential 20,1%, despite an increase of more than 50% in the value of sales.

Seeff Slot Projects, established two years ago, is the development arm of the group involved with the design, building and marketing of its own developments. Seeff said its performance had been surprising. Seeff Residential, which acts as the division's marketing arm, expected sales of more than R50m during the coming months.

Residential sales in the Transvaal had overtaken those in the Cape, but Seeff said this was to be expected because of the larger market and agent complement in the Transvaal. The Cape employed 150 agents and the Transvaal 180.

Seeff Commercial Properties had had to operate in the most difficult sector of the property market and its contribution to profits was still relatively minor. However, Seeff said, recent sales and major letter contracts would improve its performance.

The group's move into Natal would take place early in the new year.

Seeff Mergers & Acquisitions would benefit next year from its recently acquired stake in Hotel Broking Services.

Redesigning yields direct returns in productivity

B10M 2/12/92

PETER GALLI

CORPORATE clients are becoming increasingly aware of the financial advantages of improving their immediate work environments, says SA Design Society president Des Laubscher.

"It has been proved that an enhanced work environment increases the productivity of staff. Thus the money spent on revamping space has a direct return in improved staff performance. While the recession has affected the amount of money businessmen are prepared to spend on this, many are now re-evaluating their buildings and how they can make these more cost effective, rather than building new premises," he says.

Laubscher says South Africans are inclined to accept whatever they are told at face value.

"It is essential that we become more discerning, as many things can be changed to suit the client's requirements without much expense," he says.

A much wider product base is now available, and local designers have access to global suppliers. This in turn has made them more aware of international trends and has encouraged them to become less staid, Laubscher says.

"An example of this is Nedbank's banking malls.

"The company has taken its corporate image and colours and used these as the focal point of its malls, where everything is designed with this in mind — even down to the pen holders," he says.

Formal open-plan offices have become less popular and have been replaced by cellular open-plan designs, as the trend is for buildings to be as energy efficient as possible.

In the past, few designers were involved in projects from the outset, which meant they designed from the outside in.

"What is happening now is that the end users are being considered and the interior designer is called in at the start of the project.

"This allows him to use the environment as best as possible — for instance, by harnessing natural light to save energy and minimising heating and cooling costs," Laubscher says.

The society has nearly 300 members, encompassing graphic, interior and product designers. However, this represents only a small percentage of the industry.

"We have adopted the international code of conduct and will start looking at the establishment of fee structures next year, as well as benefits such as medical aid," he says.

Capital boost fails to stem Zevenwacht losses

ROBERT WICKS

B10M 2/12/92

CAPE TOWN — Despite significant injections of capital and attention to long term debt, the Zevenwacht Wine Estate — one of the largest in the country — incurred losses in excess of R2,08m in the 12 months to 30 June 1992.

The company and its two wholly owned subsidiaries produces red and white wines in the Stellenbosch district. To restore its position, directors have resolved to offer new shares to existing shareholders to enlarge the capital base and reduce interest-bearing debt.

Zevenwacht chairman Harold Johnson said sales of the estate's wines had been adversely affected by the poor economic climate.

No dividends on the ordinary shares were declared and no dividend was proposed.

Johnson said he did not anticipate a "quick turnaround in Zevenwacht's fortunes", but added that everything feasible was being done to ensure the long-term future of the farm.

Three new dams had been built, new vineyards were being established and wine-tasting facilities were being improved. The estate was also receiving favourable reaction from the export market.

Barprop chairman discusses portfolio

GROWTH for Barlow Rand Properties (Barprop) in 1993 will come from rent escalations from existing leases, and additional rents from acquisitions and new developments, says chairman Colin Steyn.

In the annual report for the year to end-September, he forecast the outcome for the present financial year. "Based on a dividend covered about 1,2 times by earnings, it is estimated that the dividend an ordinary share will rise by about 2% to 12,5c and interest on loan stock will go up by 2% to 128c," Steyn said.

"Adverse conditions continued to prevail in the property market over the year and it was not possible to complete our strategy of upgrading the portfolio. Certain developed properties and vacant land which do not fit our investment criteria remain unsold."

PETER GALLI

However, Steyn said, progress had been made on improving the portfolio. The majority of investments were now located in centralised areas and well tenanted, with vacancies at 2% by the year-end.

During 1992, additions to the portfolio totalled R30,7m, while R15,8m was realised from the sale of decentralised and other low-growth properties.

"The company still has substantial cash resources to re-invest in suitable existing and new developments," he said.

In the year under review, turnover increased to R53,59m from R48,88m and net income of R14,62m (R13,30m) was reported. The share was untraded yesterday at its November 30 high of 160c, reflecting a buyer at 150c but no seller.

Old Mutual drive cuts CBD vacancies

PETER GALLI

PRONOUNCED leasing efforts in Johannesburg CBD resulted in Old Mutual Properties letting more than 4 000m² of space in the quarter ended September.

Marketing manager Tommy Osborne said Old Mutual had reduced vacancies in its Johannesburg CBD office and retail portfolio by 17%.

Lettings were primarily to professional and smaller organisations.

Property investment manager Ian Watt said total vacancies had decreased despite the tough market. Rental levels were softer across the board, but the group was not offering rent-free periods because tenants needed to consider the implications over the whole five-year period.

Watt declined to give Old Mutual's CBD vacancy levelas this was "difficult to determine".

Some empty buildings had been bought for redevelopment and could not really be regarded as vacancies, he said.

While there had been movement away from the CBD, there had been nearly as much new space developed as in Sandton.

"The perception has been created that everybody is leaving the CBD and that there is nobody to replace them. This is not so. A number of businesses have to be located in the area," he said. (SS)

Demand for space in greater Johanesburg had also quickened, with new lettings totalling 35 165m² between July and October. About 18 000m² was for industrial property and 17 100m² for commercial space. BDay 2/12/92

In the industrial sector, a new factory/warehouse complex was nearing completion at Droste Park off the M2 East and Eldon Stationery had signed a five-year lease for 3 462m².

At Isando, Evapco SA had taken 2 995m² for three years in the old Mather and Platt building, while Marathon Materials Handling was committed to 524m² over three years. The building was now fully let

Other Isando leases were for 1 469m² with Xeratech and for 814m² with Reumech at Old Mutual Business Park.

On the commercial front, Kelly Greenoaks signed a 10-year lease for the 1 309m² Crosswell House in Parktown.

Other commercial leases were with Sandton Sentry Security for 502m² for five years at 9 Charles Crescent in Eastgate Sandton, Travel and Trade Publishing for 967m² at the Early Bird Centre in Richmond, and Grays Security Services for 370m² at 5 Wellington Road, Parktown.

Lower tax boosts GDM Finance 10,8%

BIDAY 2/12/92 SHARON WOOD (58)

LOWER tax payments allowed international trade finance company GDM Finance to weather a difficult trading period and increase earnings by 10,8% to 20,5c a share in the six months to October from 18,5c.

Pretax profits were virtually unchanged at R6,058m from the previous year's R6,046m. But the 24,9% decline in tax paid to R177 00 (R711 000) saw attributable earnings rise by 11,1% to R5,3m from R4,7m.

Dividends paid out by GDM Finance at the interim stage increased by 10,5% to R5,80 (R5,25).

Cowper said the extremely poor trading conditions last year had been extended by the absence of a political settlement and the domestic and international recession. "Nevertheless, barring any unforeseen circumstances, the company anticipated further growth in the second half of its financial year."

Absa disclaims liability on Supreme deals

BDay 2/12/92.

PETER GALLI

ABSA would take action against any of its brokers who had contravened its policy by promoting investments in the Supreme Group, Financial Services MD Louw van Wyk said yesterday.

But while some of the brokers concerned could face suspension or termination of their service, Absa could not accept any liability for the money invested by the public in Supreme through its staff.

Van Wyk said Absa group policy did not allow its brokers to sell unapproved financial products and services — such as Supreme's.

"The brokers and consultants involved in the Supreme Bond case, who comprise a small and isolated number of our staff, acted in contravention of our policy and some contravened their contractual agreements with the group," he said.

Absa, which regarded the issue "in an extremely serious light", was investigating each reported incident involving Supreme Bond on an individual basis and, depending on the outcome, staff could face disciplinary action.

It is believed that about nine brokers are being investigated by the bank and could face suspension, but yesterday the bank's lawyers were still considering the legal implications.

(58)

Some brokers ~~are believed~~ to have covered themselves by asking clients to furnish them with written instructions that this was the investment they wanted.

Supreme Holdings and Supreme Investment Holdings were placed in provisional liquidation on November 18, effectively freezing R270m in debenture debt owed to 6 000 investors.

Investors have expressed concern at the fact that many brokers operated from the offices of financial institutions and, in some cases, assured them that their investment was guaranteed by the institution concerned.

Little interest shown by buyers at marina auction

B|DAY 2|12|92 (58)

PETER GALLI

THE reluctance of buyers — particularly in the Transvaal — to purchase property at an auction was reflected in last week's auction of unsold portions of the first and second phases of the Marina Martinique development at Jeffreys Bay by its liquidators.

Of the 169 erven available at the marina under the first phase and the 63 erven in the second phase, only five were bid for. Group Five bid R2,87m for a medium-zoned residential erf of 14 305m2 with 20 townhouses on it.

Offers to purchase were received for another four individual erfs at R60 000, R70 000, R90 000 and R100 000. No interest was shown in the other individual stands, the second phase as a whole, the site zoned for the hotel or the area zoned for the marina centre.

Auctioneers have said this method of sale is still regarded as negative and has the connotation of either a "desperate seller" or liquidation sales.

J H Isaacs (Tvl) leasing and sales director Wayne Wright said: "On the Reef, properties under the hammer are often viewed as sales of last resort and are usually linked to liquidations."

The PWV market would have to be "educated" as sellers in the Transvaal were prone to over-expectation on price, while buyers saw auctions as the place to "pick up property for next to nothing", he said.

The result was an imbalance that was not conducive to successful auctions, he said.

Marina Martinique auctioneer David Newham said the offers to purchase received for the five erfs were obtained at a discount, adding that many buyers were reluctant to buy at an auction.

Services

"The fact that we sold over R3m worth of property is positive. A major corporation like Group Five has already taken a position and there are many more waiting in the wings who will probably make offers in the next few days," he said.

Because of the low interest, Newham decided to hold back on the collective auctioning of the site, saying: "We do not want to deal with the rats and mice but rather with the developers and major players."

Some prospective buyers appeared to have been deterred by the uncertainty surrounding the transfer of individual stands by the Jeffreys Bay municipality.

Town Clerk Frans Viljoen said recently that no transfer would take place until the outstanding services under the conditions of establishment for the marina had been guaranteed or completed.

At the auction one of the liquidators, Ralph Moolman of Cape Trustees, said negotiations had taken place between them and the municipality and an agreement had been reached.

"In terms of this agreement the liquidators will pay the council an amount of money that will cover this and allow them to register servitudes and issue the required clearance certificate," he said.

Viljoen said he was "satisfied" with the agreement, but declined to release any details as it still had to be approved by council and the Masterbond curators.

This confirmation was expected to be in place by December 9, but, should there be a problem, all money received would be returned.

Acceptance for the offers to purchase by the seller was also due only by December 9, he said

The unsold properties were expected to net about R15m to R20m by the time they were sold out, Newham said.

gains of unlisted investments and property and insufficient liquidity causes the taxpayer ei-

posal of a taxpayer's main house has led to th building of larger house as there is no tax payable.

Sage Life puts up a record

STAR 3/12/92

Sage Life posted a 22,7 percent increase in surplus attributable to shareholders for the six months to September to R13,5 million from R11 million previously.

The record results for the life assurer were further bolstered by an accelerated growth in new business, with annualised new premiums rising 47,7 percent to R109,1 million in the period under review.

Sage Life said yesterday it was continuing to make excellent progress.

There was a 22 percent increase in individual recurring premiums and a 93 percent gain fo single premiums.

Total premiums wer up 32,3 percent t R201,9 million, whil total income increase by 23 percent to R279, million.

Payments to Sage Li policyholders moved u 16 percent over the s months to R129,6 millio — equivalent to abou R1 million per workin day.

The firm's total asse amounted to R2,26 billi at the end of the peri under review fro R2 185 billion for the nancial year end March 1991. — Sapa.

COMPANIES

FutureBank shows R2,7m loss

SHARON WOOD

MAJORITY black-owned FutureBank yesterday announced a loss of R2,7m in its first set of financial results for the period ended September this year. (58)

The bank was registered in September last year and opened its doors in March this year FutureBank did not issue a prospectus because the shares had been privately placed. BDM 3/12/92

MD Neville Watchurst said: "We are quite pleased with the results, given that it is a new operation bearing the costs needed to set up the bank. The costs were R1,5m less than budgeted because the bank got into profit quicker than expected."

Trading conditions had been extremely difficult, but good progress had been made and the bank had returned monthly profits since May this year.

Watchurst expected the start-up costs of the bank to be eliminated by the end of September next year and that FutureBank would show a profit in the next set of results.

General bad debt provisions of R2,4m had been set aside. There were no specific debt provisions.

Watchurst said the size of the provisions were prudent, taking into account the large taxi book of FutureBank During the next year the economy and political upheaval would probably get worse and this would disrupt the bank's market.

Total assets of the bank were R233,7m and advances were R192,4m Net interest income was R6,9m and non-interest revenue was R924 000 Watchurst said the bank's core business would continue to be instalment credit and the acceptance of core deposits.

Sage Life driven by new business growth

Bday 3/12/92

(58)

ANDREW KRUMM

DRIVEN by growth in new business, Sage Life posted a 23% increase in total income to R279,9m in the six months to end September against R227,5m in the comparable period last year, Sage Life MD Bruce Ilsley said yesterday.

Earnings rose by 22,7% to R13,5m compared with R11m in 1991.

Ilsley said interim premium income had grown by 32,3% to R201,9m (R152,6m), which was attributable to "accelerated" growth in new business — annualised new premiums rose 47,4% to R109,1m.

Single premium income had shown the most significant increase, rising by 93% as investors were attracted by good returns in the Sage Life employee benefit division. Individual recurring premium income rose by 22%. Ilsley declined to disclose the amounts involved.

"Our employee benefits division did well in attracting new business. We began an aggressive marketing drive in October last year focusing on our investment performance which has been particularly good on the pensions side.

"Investment income did not grow much, rising marginally to R78m for the period compared to R74,9m in 1991."

Ilsley said one of the reasons for marginal growth in investment income was that a lot of the new business sold involved unit trust-linked policies which relied on capital growth.

He added that payments to policy holders increased by 16% over the six months to R129,6m, which was equivalent to about R1m paid out each working day.

Income growth compared favourably with a 17% increase in expenses, which included an abnormal increase in data processing costs.

The assurer's assets had grown to R2,261bn in September as against R2,185bn for the year to end March 1992 — the modest growth partially reflecting stock market trends during the period.

Ilsley said he expected growth in new business would maintain its sound growth path over the next half year, although Sage Life had made no forecasts for the period.

He added that "although it is not our policy to forecast earnings flow, historically Sage Life has maintained a growth rate of about 20% per annum".

Sanland Property Trust could be rationalised

PETER GALLI (58)

THE possibility of the rationalisation of the Sanland Property Trust was being investigated and this could have "a substantial effect on its existence", chairman Ronnie Masson said in the latest annual report.

"The Trust will have to spend a considerable amount of money on some of its properties to compete in the difficult market.

"Since Sanlam Properties took over the management of Sanland Property Trust in June thorough inspections were carried out on all properties and a full programme to upgrade all of them has been compiled and some of the work started," he said.

Sanlam made a standby offer to unit holders earlier this year and, as a result of this, Sanlam and Metropolitan Life hold 98% of the Trust's issued units.

Sanlam Properties has also gained gained control of the management company Sanland Property Trust Managers. BDAY 3/12/92

The uncertain political situation and the accompanying poor economic climate had caused the market to fall to an all time low. The demand for letting space had flattened and even declined in most cases, Masson said.

"Consequently vacant space in the market has increased sharply and rent levels have come under pressure. Our vacancy factor is 5,8%, mostly for office space," he said.

FM 4/12/92.

MONEY SUPPLY (58)

Looking for omens

With hindsight, it is easy to see that growth in money supply is a useful indicator of future economic activity — as well as inflation. However, it is more difficult to predict events by looking at monthly or quarterly growth in the various money supply aggregates The figures require constant smoothing and can only be viewed over a long period because there are:

☐ Unpredictable lags between money supply growth and changes in the level of economic activity; and

☐ Technical distortions which do not reflect economic fundamentals.

Basing forecasts on these movements is further complicated by debates over which is the best monetary measure to use. Growth in M1A is an early sign that people are preparing to spend. This measure consists of money and coins in circulation plus cheque and transmission deposits. Money supply figures for September show that 12-month growth in M1A was 23,55%, compared with 10,27% the previous month; monthly growth in the measure was 6,7%.

This sharp upkick was also seen in M1. This consists of M1A and other demand deposits. The rate at which it is increasing was sharply up at 23,15%, from 14,92%; in the month it grew 4,7%.

However, growth in M2 (M1 plus other short- and medium-term deposits) and M3 (M2 and term deposits longer than six months) was only 12,77% and 8,73%. This was little changed from the previous month. And monthly growth was only 1,4% and 1,2%.

These figures show a shift out of longer-term savings and into cash and short-term or balances. As interest rates on call money remain below those on longer-term deposits, this does not seem to be simply a shift in personal portfolios. If the trend persists, it will be a signal that consumer confidence is improving and economic activity is about to increase. This is good news.

If money increases out of all proportion to the country's ability to increase output, however, it begins to lose its purchasing power. Because of this inflationary potential, the Reserve Bank sets guidelines for M3 — currently 7%-10%. When decisions are made about changes in interest rates, the performance of money supply growth in relation to the target range is a major factor.

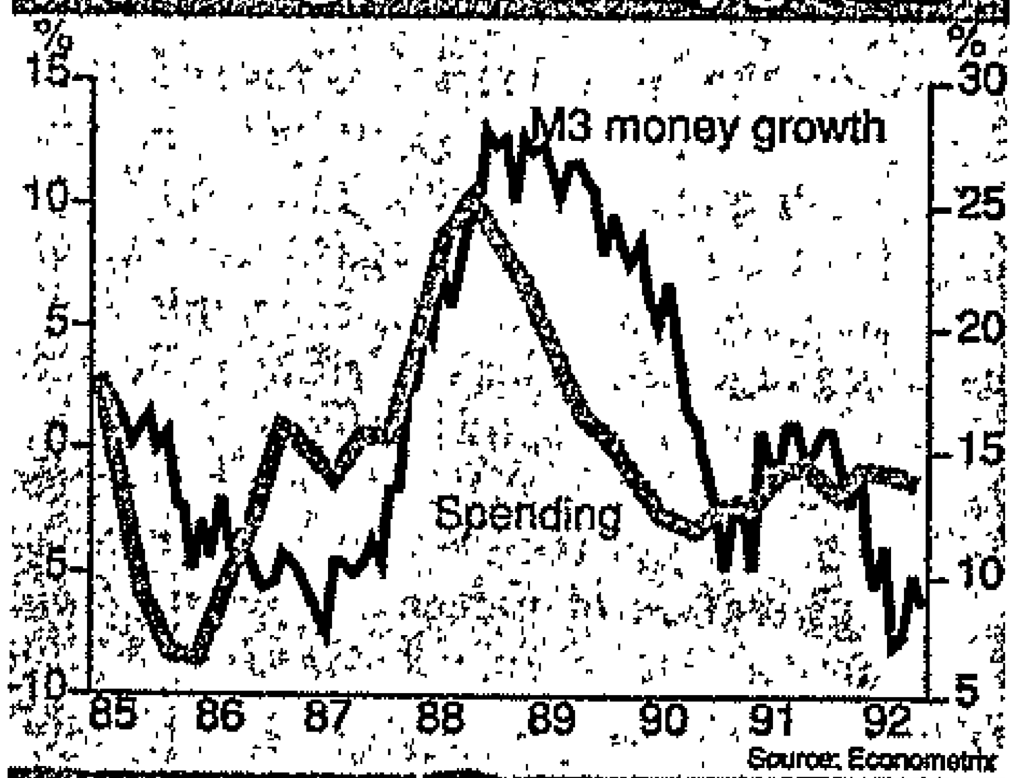
Though not as early an indicator as the narrower measures, M3 does not reflect shifts within portfolios and is, therefore, more reliable, says a Reserve Bank spokesman.

Growth is measured from the base of the target year, which is mid-November, and then seasonally adjusted and annualised and measured against the guidelines. For most of the current target year, it has been safely within the guideline range. The figure for September is 9,33% to a seasonally adjusted R195,2bn. A provisional figure for October shows growth of 9,14% to a seasonally adjusted R196,3bn.

Figures on the monetary base, M0, are not published but are available on request. This

Setting the pace

Spending vs M3 money growth



consists of cash and coins in circulation (which are reflected on the central bank's books) and the cash reserves held by the banking sector at the Bank. They show growth of 18,5% to September and a provisional 18% to October. But these figures are inflated by changes, effective from July, in the level of cash reserves banks are required to hold against their short-term liabilities.

Figures on credit aggregates show:

☐ Claims on the domestic private sector grew 8,61% year-on-year to R204bn; 1,52% in the month;

☐ Net claims on the public sector were up 2,8% year-on-year to R2,5bn; this represents a decline of 50% in the month; and

☐ Total domestic credit extension grew 8,53% to R206bn; 0,28% in the month. ■

Aids — Old Mutual calls for urgent action

58

B/DM 4/12/92

CONCERTED action was required by government, political and other leaders, business and the public to prevent or reduce the enormous problems that would face this country unless stronger action was taken against Acquired Immune Deficiency Syndrome — AIDS.

Mr Mike Levett, during his chairman's address to the annual general meeting of Old Mutual yesterday, spoke of the problems facing South Africa because of AIDS. He said that a few years ago the potential impact of AIDS burst sensationally on to the South African public's awareness and generated much concerned discussion. However, judging by the relatively small amount of attention accorded to AIDS in the media now, AIDS is no longer seen as an important issue and political and economic woes have overshadowed it.

Unfortunately, the progress of the disease in South Africa has been roughly in line with the more responsible predictions that were made several years ago. It is estimated that there are now about 400 000 AIDS carriers in South Africa, a number that is likely to double by the end of next year. It is believed that, in some Southern African countries, more than 20% of the working population is HIV-positive and unless there is very strong intervention South Africa is likely to be in that position by the end of the decade.

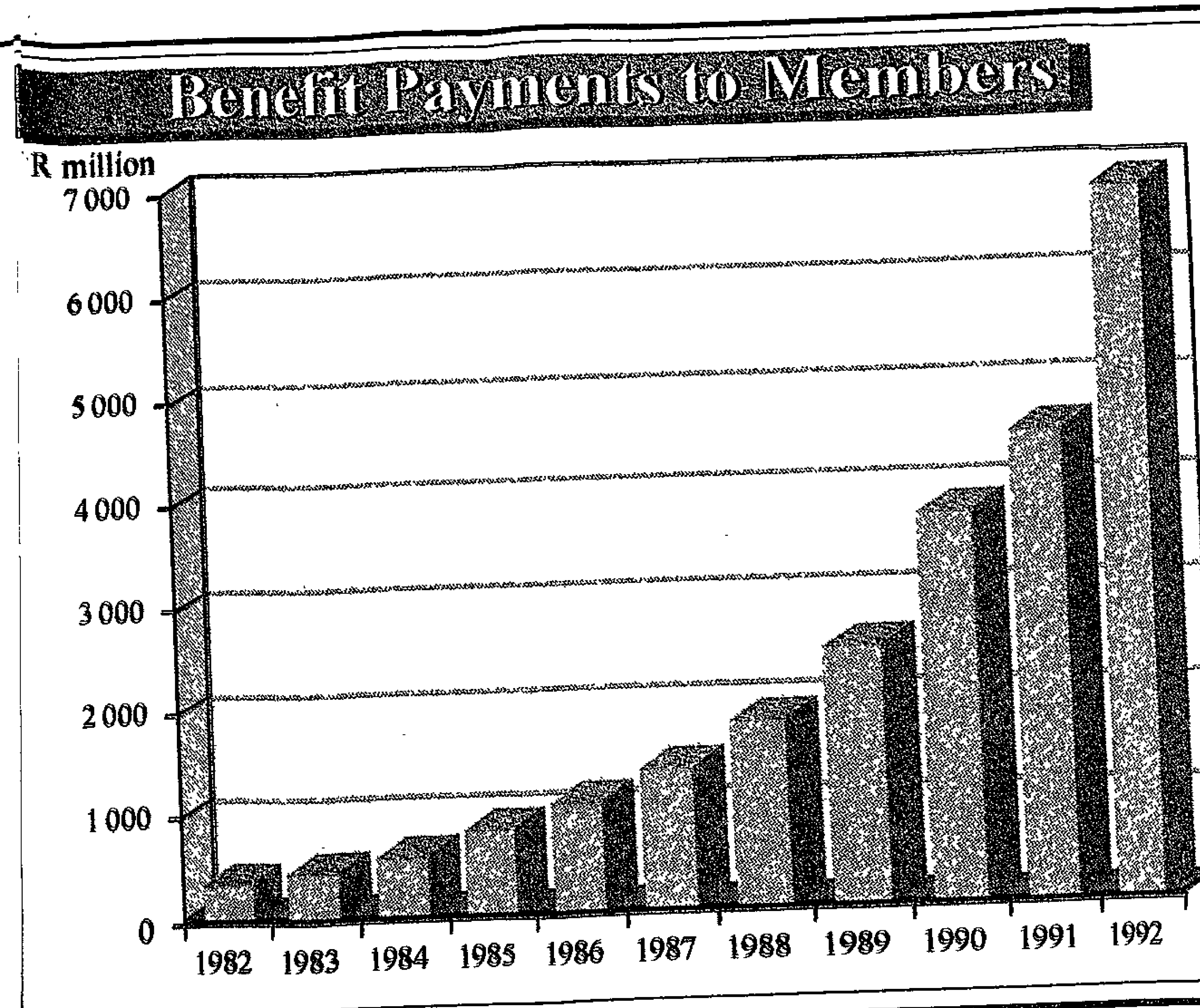
According to Mr Levett, this epidemic is going to cause untold human suffering and impose an enormous burden on the economy. The effects will only become visible much later when large numbers of people get sick and die, but the spread of infection is happening now. If this disaster is to be minimised, we need to take concerted action with utmost urgency.

He said it was of concern that government, political and other leaders, business and the public in general were not doing more to address the issue in the forceful manner that the situation demanded.

During the past year Old Mutual has developed an extensive programme to educate its employees regarding AIDS. The programme, which involves pamphlets, posters, a video and a three-hour workshop, has received much acclaim both internally and outside the organisation and is now being made available to other employers through the consulting service offered by its Employee Benefits Division.

Old Mutual is printing more than 600 000 educational booklets on AIDS for schools, including a guide for teachers, and these will soon be distributed to schools by the education authorities. Furthermore, Old Mutual is working on a presentation for schools to warn pupils about the dangers of the disease.

Mr Levett added that AIDS is a particular threat to the life assurance industry. Old Mutual has already taken steps, and will take more in the future, so that it can continue to provide attractive products to new members while preserving the interests of the existing body of policyholders. He said it was very important that life assurers' freedom to act should not be curtailed in any way.



During the past year, Old Mutual paid out R6 800 million in benefits to members and their beneficiaries. This is an average of R27 million for every working day.

58 B/DM 4/12/92

Old Mutual's market share at record high

B/DM 4/12/92 58

OLD MUTUAL'S market share of life insurance premiums in South Africa rose again over the previous year to reach its highest level since statistics became available from the Life Offices' Association.

Mr Mike Levett announced this in his chairman's address at Old Mutual's 147th annual general meeting yesterday and said Old Mutual had once again had a good year with continued sound growth in all the countries in which it operates, despite the diffi-

Don't tax pension funds — Levett

58

B/DM 4/12/92.

ACCUMULATED retirement funds represent a national asset of great worth to South Africa and any changes in tax treatment of these funds must not remove incentives for retirement provision, says Mike Levett, chairman of Old Mutual.

He urged that the tentative proposals by the Jacobs Committee to amend treatment of contributions to retirement funds should be treated with extreme caution. Any changes in tax treatment of these funds must not take away the incentives for individuals and employers to set aside money in advance for retirement through approved funds.

Changes should also address the current preferential tax treatment of retirements from State funds relative to private sector funds, particularly in respect of lump-sum payments.

Abolition

Mr Joe Stegmann, chairman of Sasol, fully endorsed Mr Levett's note of caution on these proposals during his seconder's address at Old Mutual's annual general meeting yesterday. He added that every effort should be made to encourage people to make adequate financial provision for their retirement.

He said: "In South Africa, our propensity to save has dropped to an alarmingly low level. The suggested taxation of employer and employee contributions to pension funds would tend to make it more tax-efficient to increase cash payments and reduce contributions to pension schemes. In my view great care should be taken not to cause irreparable harm to the contractual savings capacity of the country."

Mr Levett said Old Mutual, however, welcomed the proposed abolition of the Sixth Schedule to the Income Tax Act as well as the introduction of the "four fund basis" for taxing life insurance business as published in the Jacobs Committee's report.

The scrapping of the Sixth Schedule would mean the end of very costly administrative systems for life insurers: it would also give them more freedom to develop new and simpler products. Both changes would be to the benefit of policyholders.

Low-cost housing

The report recommends a holistic approach to the regulation of financial services. Mr Levett said the concept was admirable but the application in practice would have to take proper account of business realities. Furthermore, regulation needed to be kept to a minimum and focused on matters such as the solvency of the institutions.

In his chairman's address last year, Mr Levett stressed that life insurers and pension funds were able to provide funds for socially desirable purposes such as low-cost housing, but always subject to the criteria of a market-related return and a commensurate level of security being met. The Jacobs Committee, in considering the socio-economic responsibilities of savings institutions, came to the same conclusion and emphasised that the needs of the members of retirement funds and life insurers had to come first.

There is no doubt about the great need for investment in projects that will create employment, provide housing and generally uplift the economically disadvantaged.

Bridge gap

According to Mr Levett, the projects that do come to hand unfortunately most often do not satisfy the criteria mentioned above and thus do not get the necessary support from financial institutions.

To bridge the gap, the Life Offices' Association of South Africa recently established an Investment Development Unit to facilitate the financial structuring of major socially desirable projects so that they fulfil the investment criteria of member offices.

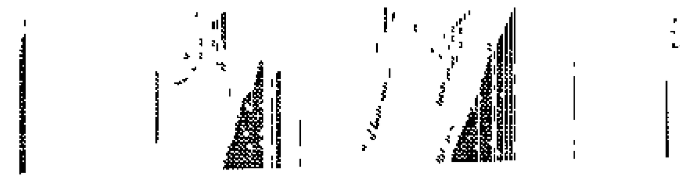
"Old Mutual fully supports the LOA in this initiative and looks forward to participating in schemes that come to fruition," Mr Levett said.

experienced in those countries.

During the year, Old Mutual became the first life assurer in Africa to exceed R10 000 million in premium income. Total premium income reached R10 200 million during the 12 months, representing growth of 27% over the previous year. This was just 10 years after it first received R1 000 million from policyholders in a year.

Income from group single premiums showed particularly strong growth but overall recurring premium income also grew very satisfactorily to R6 500 million.

Mr MIKE LEVETT
Chairman of Old Mutual.



Mr JOE STEGMANN: "Old Mutual a pioneer in life assurance".

Expenses

Payments to policyholders grew by a remarkable 51% to R6 800 million, more than half of which was paid to individual policyholders. This is more than the total amount paid out in the 142 years up to 1987. Old Mutual is therefore paying out more than R27 million to its members each working day. Most of these benefits were paid to members during their lifetimes.

Mr Levett said that it was important to control operating expenses, as efficiency meant better value for money for policyholders. Old Mutual's expenses increased by only 14% over the year, despite the significant growth in business being administered.

Total assets held by Old Mutual exceeded R74 000 million at the end of the financial year. These assets represent the funds held to settle future claims of its policyholders. A further R13 000 million in assets was managed on behalf of investment and pension fund clients and Old Mutual Unit Trusts.

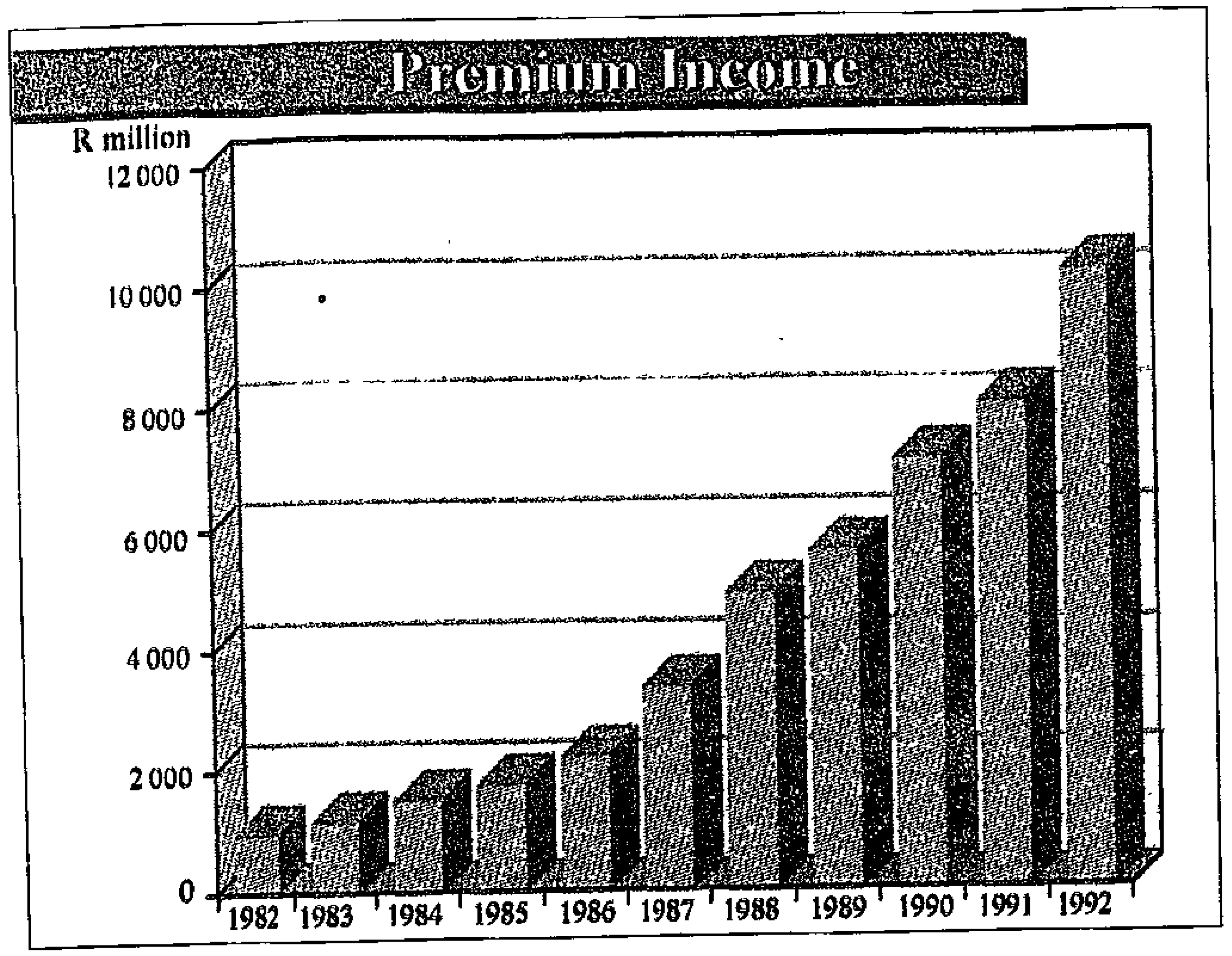
Same mission

Mr Levett added that the society's sustained growth had been remarkable when looking back over a longer period, even allowing for inflation. Taking out the effect of inflation, premium income and benefit payments are still, respectively, 2,5 and 4,7 times what they were in 1982.

According to Mr Levett Old Mutual's mission continues to be the same as it was at its founding in Cape Town in 1845: "To help our members provide for their old age or, in the event of early death, for the well-being of their dependants, whilst mobilising their long-term savings for investment in suitable assets."

Old Mutual is a mutual society and therefore exists solely to serve its members. All the profits earned go to its members as there are no shareholders.

In closing his address, Mr Levett paid particular tribute to all the intermediaries who supported Old Mutual and he thanked the management and staff for their dedication and service.



Old Mutual's premium income passed R10 000 million, a new milestone.

Swift action vital for economy

BDM 4/12/92

SOUTH AFRICA'S economic potential is considerable and there is much that can be done now to commence reconstruction of the economy, according to Mr Mike Levett, chairman of Old Mutual.

In his address yesterday to the organisation's annual general meeting, he said further delays in creating a favourable climate would make a recovery progressively more difficult to achieve.

Mr Levett said it was now very evident that rapid progress would have to be made towards resolving the political deadlock. Uncertainty was preventing economic growth because critical decision-making by business-men, consumers and public policymakers was being deferred. Further delay would simply make a recovery progressively more difficult to achieve.

Unfortunately, over the past year, the major political players have not succeeded in building on their successes. Considerable political uncertainty, social disruption, violence, loss of business confidence and increased unemployment have followed the current downward spiral.

All groups involved in political negotiations need to take responsible attitudes towards the desperately urgent requirements of putting in place the environment needed to achieve economic growth, investment formation and job creation. South Africa needs to become more dynamic internally and far more competitive internationally. To achieve this, efficiency and productivity must rise rapidly.

"A problem area is that the State consumes a high and rising share of the national product," Mr Levett said. "Taxes have risen to alarming levels, undermining individual incentives and reducing the attractiveness of South Africa as an investment field.

"A challenge in years to come will be to limit and, if possible, reduce the size of government while ensuring that it does its job better.

"The current macroeconomic situation is relatively stable but government budget deficit is soaring and, if it expands much further, government debt and inflation could rise to dangerous levels.

"While the problems may seem daunting, I am sure we have the collective ability to tackle them successfully, provided there is goodwill and common understanding."

Given appropriate economic and social policies, and a satisfactory resolution of the political situation, the economy could recover quickly and move back to sustained growth which would materially aid the transition to a successful democracy, Mr Levett said.

WORLD

Chin[a] blues send share plunging

B10 4/12/92

Own Correspondent

HONG KONG — Hong's main indicator of confid the stock market, registered it est plunge yesterday since the 1989 Tiananmen Square massac the continued war of words bet Hong Kong and China showed no of abating.

Passers-by crowded electronic billboards in the maj ks in Hong Kong's central busines ict to watch the stock market index dramatically by more than 430 poin ing the day, wiping almost 8% off t ue of shares. Shares have lost about f their value since the beginning of eek.

The millions of pound sses suffered by Hong Kong compan s prompted new calls by business gr for Governor Chris Patten to aba his reform proposals and confront l stand.

A group of businessm led by retail magnate Daniel Koo sai usinessmen's commitments are being on hold because foreign investors alarmed about the political chaos".

Saying Patten had fai n his mission to Hong Kong, they a "Instead of bringing new hopes and tion, Mr Patten has subjected Hong ng people to great confusion and int anxiety with his confrontational a de towards China."

Both China and Hong K accused each other of undermining th ng Kong economy. Chinese officials ong Kong said the situation was "entir due to the actions of the Hong Kong B h administration. The responsibility s not lie with China".

But Patten said yester : "I have said nothing which has had a effects on the market."

Hong Kong officials n that the market rose to record highs r the governor announced his constitut al reforms in early October and only b n to drop markedly after China began to threaten retaliation, losing almost 1 000 points after Monday's threat from Beijing that all contracts and agreements not approved by China would be invalid in 1997.

Analysts said businessmen feared the current row could continue indefinitely as there was no sign that the two sides would resolve the crisis. China's action is seen as the biggest diplomatic snub since Premier Li Peng refused to meet Patten during his visit to Beijing in November.

China's Hong Kong and Macao Affairs Office director Lu Ping refused a request to meet the British ambassador Robin McLaren on Wednesday, to discuss the problems. But several Hong Kong business delegations were granted an audience with Chinese leaders, including Li Peng, last week.

Tak-Shing Lo said after one such trip that the Chinese were so incensed they did not want to have anything to do with Patten. "They feel they do not want to deal with him again."

Henry Tang, who led an industrialists delegation to Beijing, said after a meeting with Lu Ping that China was determined to take a tough line.

Although both Britain and China confirmed yesterday the joint liaison group meeting of British and Chinese ambassadors would go ahead next week to discuss the 1997 transition, businessmen feared that with tension so high Beijing might also close off that last remaining point of high-level contact at the last minute.

In an official statement, Britain said it hoped the joint liaison group meeting from December 8-10 would be fruitful.

But diplomats admitted privately they expected no progress at all. They believed China would use the meeting to repeat their now-familiar tirade against Patten. — Daily Telegraph.

Holding a Tsarist flag, Cossacks in warrior uniforms stare down opposing communist protesters in Moscow's Red Square yesterday. Picture AP

Gaidar offers flexibility to hardliners

MOSCOW — Acting Prime Minister Yegor Gaidar offered to co-operate with centre-right factions in Russia's top legislature yesterday in an attempt to press through economic reform against resistance from hardliners.

"Our friends and colleagues from the centrist factions under-estimate the opportunities for compromise and flexibility in co-operation to build a normal, civilised economy," Gaidar told parliament after a day of debate that produced fierce attacks from hardliners on his government.

Adopting a more conciliatory tone, Gaidar told the Congress, which will decide on his political future, that he had no room for manoeuvre in his economic reforms. But in a speech that was nevertheless combative, he said the country was on the brink of hyper-inflation.

Gaidar faces a vote later in the Congress on his position as head of the government.

Gaidar's government had been negotiating with the centre-right Civic Union industrial lobby for days before the Congress, which opened on Tuesday. Despite hints of compromise by both sides, there has been no sign during debates of an outright agreement.

Earlier, Civic Union leader Nikolai Travkin criticised a proposal, circulated by President Boris Yeltsin, under which Yeltsin would boost his own powers at the expense of the parliament.

"The draft (resolution) envisages the Supreme Soviet becoming virtually non-existent," Travkin said.

He urged Yeltsin to drop unidentified members of his team.

"Napoleon parted with the beautiful Josephine in the interests of state," he said. — Sapa-Reuter.

Germany se[ts] on trade reform deal

BONN — Germany said ust before its regular summit with rance yesterday that it backed a p nned pact on world trade reform n spite of French objections.

French President Fran ois Mitterrand was expected to put is stand to Chancellor Helmut Kohl a their two-day meeting to prepar for next week's EC summit in Edinburgh.

While the media hinted that France wanted support for its opposition to an EC-US oilseeds deal, German Economics Minister Juergen Moellemann said a global trade agreement in the GATT Uruguay Round was far more important.

But a spokesman for Kohl said the planned trade reform under GATT would not become ... until ear...

Bombers hit Manchester

MANCHESTER — Two bombs exploded in central Manchester yesterday, injuring at least 38 people in what appeared to be part of the IRA's campaign of destruction and intimidation in mainland Britain.

The first, a suspected car bomb, exploded at 8.35am, stunning workers on their way to work. The second, bigger bomb went off in a shopping mall about 90 minutes later.

Ambulance services said 38 people were taken to hospital, two in a serious condition.

A television news reporter said she heard a third blast and was told by police they expected to carry out a controlled explosion of a fourth device discovered in the heart of Britain's third biggest city in northwest England.

... television put the number of ... don and Northern Ireland.

Police said the attacks were timed to coincide with the start of the Christmas shopping rush and warned Britons to be vigilant.

Witnesses reported extensive damage to office buildings and said passers-by had been showered with broken glass.

Police said they received an anonymous phone call warning that several bombs had been planted in Manchester. The second blast occurred as the city centre was being evacuated.

Greater Manchester assistant chief constable Jim Paterson said: "A code word was given. It is very early in the inquiry to say for certain who was responsible, but all the indications are that it was the IRA."

Earlier this week, 27 people were ...

Johannesburg
2000
1 December 1992

...hannesburg
2001

...that agrarian policy is more important than it seems to us," Moellemann said. — Sapa-Reuter.

...not claimed responsibility for the explosions, which followed a wave of attempted bombings, mostly in Lon-

...by the IRA to explode huge bombs in London in the past two weeks. — Sapa-Reuter.

HIGATE PROPERTY FUND

"HIGATE"

FINANCIAL RESULTS AND DIVIDEND

The Directors of Cornerstone Property Fund Managers Limited, management company of "HIGATE", announce the financial results of the fund for the six months ended 31 October 1992.

	1992	1991	% Increase
(1) Net distributable income (R000's)			
Dividends	11 397	10 176	12,0
Interest	960	1 410	–31,9
Total	12 357	11 586	6,7
(2) Units in issue (000)	30 893	30 893	
(3) Net distributable income (cents per unit)	40,0	37,5	
(4) Dividend per unit for the period (cents per unit)			
No. Income distribution period			
6. 1 May 1992 – 31 October 1992	40,0	37,5	

COMMENT

1. Higate has again achieved good earnings growth with net distributable income 6,7% up on the comparable six months last year. In view of the significant reduction in Higate's interest earnings, arising from lower interest rates and the investment of cash resources into property, and against the background of the extremely weak economy, Higate has performed well.
2. During the period under review Higate disposed of two small industrial properties which no longer met investment criteria. These sales realised R1,5 million resulting in a capital surplus of R0,7 million. The fund invested a further R1,7 million on developing and improving existing properties and has R11,9 million available for investment in property.
3. The portfolio has remained well let with vacancy levels over the six months under review having averaged less than 1% of lettable space. This is very much better than the average currently being experienced in the property industry and emphasises the quality of the portfolio and the strength and structure of the leases.
4. A substantial number of Higate's leases fall due for review during the second half of this financial year and notwithstanding the difficult letting conditions it is anticipated that satisfactory growth in rentals will arise.

However, this improvement in earnings will be partly offset by reduced interest income as a result of lower interest rates.

DIVIDEND DECLARATION

Notice is hereby given of the declaration of Dividend No 6 in respect of the income distribution period 1 May 1992 to 31 October 1992. The dividend amounts to 40,0 cents per unit and is payable to unitholders registered as such in the books of the fund at the close of business on 18 December 1992. Dividend cheques will be posted on or about 31 December 1992. The unit transfer register will be closed from 21 December to 24 December 1992, both days inclusive.

Applicable only to non-residents

Non-resident shareholders' tax at the average rate of 13,84% will be deducted from all dividends paid to unitholders registered at addresses outside the Republic of South Africa.

BY ORDER OF THE BOARD
RUSSELL MARRIOTT & BOYD TRUST
(PROPRIETARY) LIMITED
SECRETARIES

4 December 1992

CORNERSTONE PROPERTY FUND MANAGERS LTD

Reg. No 89/05237/06

Cornerstone Property Fund Managers Limited

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PO Box 207, Durban 4000

Transfer Secretaries
Mercantile Registrars Limited
6th Floor
94 President Street
Johannesburg 2001
PO Box 1053
Johannesburg 2000

C/H & H 1186-92

HIGHSTONE PROPERTY FUND

"HISTONE"

FINANCIAL RESULTS AND DIVIDEND

The Directors of Cornerstone Property Fund Managers Limited, management company of "HISTONE", announce the financial results of the fund for the six months ended 31 October 1992.

	1992	1991	% Increase
(1) Net distributable income (R000's)			
Dividends	6 354	5 678	11,9
Interest	295	727	–59,4
Total	6 649	6 405	3,8
(2) Units in issue (000)	61 000	61 000	
(3) Net distributable income (cents per unit)	10,9	10,5	
(4) Dividend per unit for the period (cents per unit)			
No. Income distribution period			
4. 1 May 1992 - 31 October 1992	10,9	10,5	

COMMENT

1. The distributable income for the six months ended 31 October 1992 amounts to 10,9 cents per unit, an increase of 3,8% over the comparable six months last year. In view of Histone's lower interest earnings, which have resulted from lower interest rates and the commitment of cash to property, and against the background of the weak property market, the financial results for the six months under review are satisfactory.
2. There has been no movement in the property portfolio during the past six months and the fund remains effectively fully invested in property.
3. The portfolio has remained well let during the six months under review with the vacancy factor having averaged less than 2% of lettable space.
4. In view of the adverse effect of falling interest rates and the difficult letting conditions which are expected to continue little growth in earnings for the year ahead is envisaged.

DIVIDEND DECLARATION

Notice is hereby given of the declaration of Dividend No 4 in respect of the income distribution period 1 May 1992 to 31 October 1992. The dividend amounts to 10,9 cents per unit and is payable to unitholders registered as such in the books of the fund at the close of business on 18 December 1992. Dividend cheques will be posted on or about 31 December 1992. The unit transfer register will be closed from 21 December to 24 December 1992, both days inclusive.

Applicable only to non-residents

Non-resident shareholders' tax at the average rate of 14,33% will be deducted from all dividends paid to unitholders registered at addresses outside the Republic of South Africa.

BY ORDER OF THE BOARD
RUSSELL MARRIOTT & BOYD TRUST
(PROPRIETARY) LIMITED
SECRETARIES

4 December 1992

CORNERSTONE PROPERTY FUND MANAGERS LTD

Reg. No 89/05237/06

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5th Floor
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Transfer Secretaries
Mercantile Registrars Limited
6th Floor
94 President Street
Johannesburg 2001
PO Box 1053
Johannesburg 2000

C/H & H 1186-92

Absa rules out salvage talks

(335) LINDA ENSOR (58)

CAPE TOWN — There was no possibility of Absa re-entering negotiations to salvage the provisionally liquidated Tollgate Holdings (TGH) group at this late stage, an Absa spokesman said yesterday.

The diversified leisure and transport group was provisionally liquidated on Wednesday with debts of R305m to Absa, and subsidiaries owing R70m to other banks. BDM 4/12/92

The Absa spokesman said the only possible source of finance to assist TGH would be funds raised in the liquidation of the four provisionally liquidated operating companies, provided they achieved a decent liquidation price.

The four principal subsidiaries which were provisionally wound up were Motorvia, Entercor — which operates Springbok Atlas Safaris, Greyhound Citiliner, Showtime International, Six Street Studios and Moving Media — Greyhound Coach Lines and Quicksilver Coach Lines.

Sanek Cape's Steven Gore and Cape Trustees Rob Walters have been appointed joint provisional liquidators. Walters said last night they had spent yesterday investigating the assets and liabilities of the group and had looked into which divisions to keep operating.

Talks had already been held with a party interested in acquiring a division.

TGH directors were unavailable for

☐ To Page 2

Tollgate BDM 4/12/92

(335) (58) (332)

☐ From Page 1

comment yesterday, but in a statement said the provisional liquidation of the four companies would enable them to trade in a "relatively unhindered" way.

"This action had to be taken as no agreement could be reached with the bankers on the restructure of the group's debt. It is the group's real hope that, notwithstanding the action that has been taken, a deal can be struck with the bankers, while simultaneously minimising any further losses to the bankers."

The statement said that at the time that the controlling consortium of TGH acquired control of the group in 1990, it inherited about R600m of debt arising from TGH's previous acquisitions.

About R400m of this debt and interest had been repaid over the past two-and-a-half years.

"The group, however, is no longer able to service the balance of debt out of its current earnings, particularly given the decline in earnings from the steep and deepening economic recession, high interest rates, industrial strikes amongst some of the group's major customers, political violence in the country which has reduced levels of tourism, and the drought which has severely affected the group's agricultural trading operations."

Requiem for a President

FM 4/12/92

Files relating to President Insurance, liquidated last week at the instigation of the Financial Services Board, were seized this week by the Office for Serious Economic Offences. That followed court revelations that President's new owners probably contravened several statutes and diverted about R1,4m of funds from its Multilateral Motor Vehicles Accident Fund (MMF) account to a panelbeating company which appears to have connections with President's current board. Altogether, this small insurer may now be R4m short of meeting its obligations.

Also under investigation are

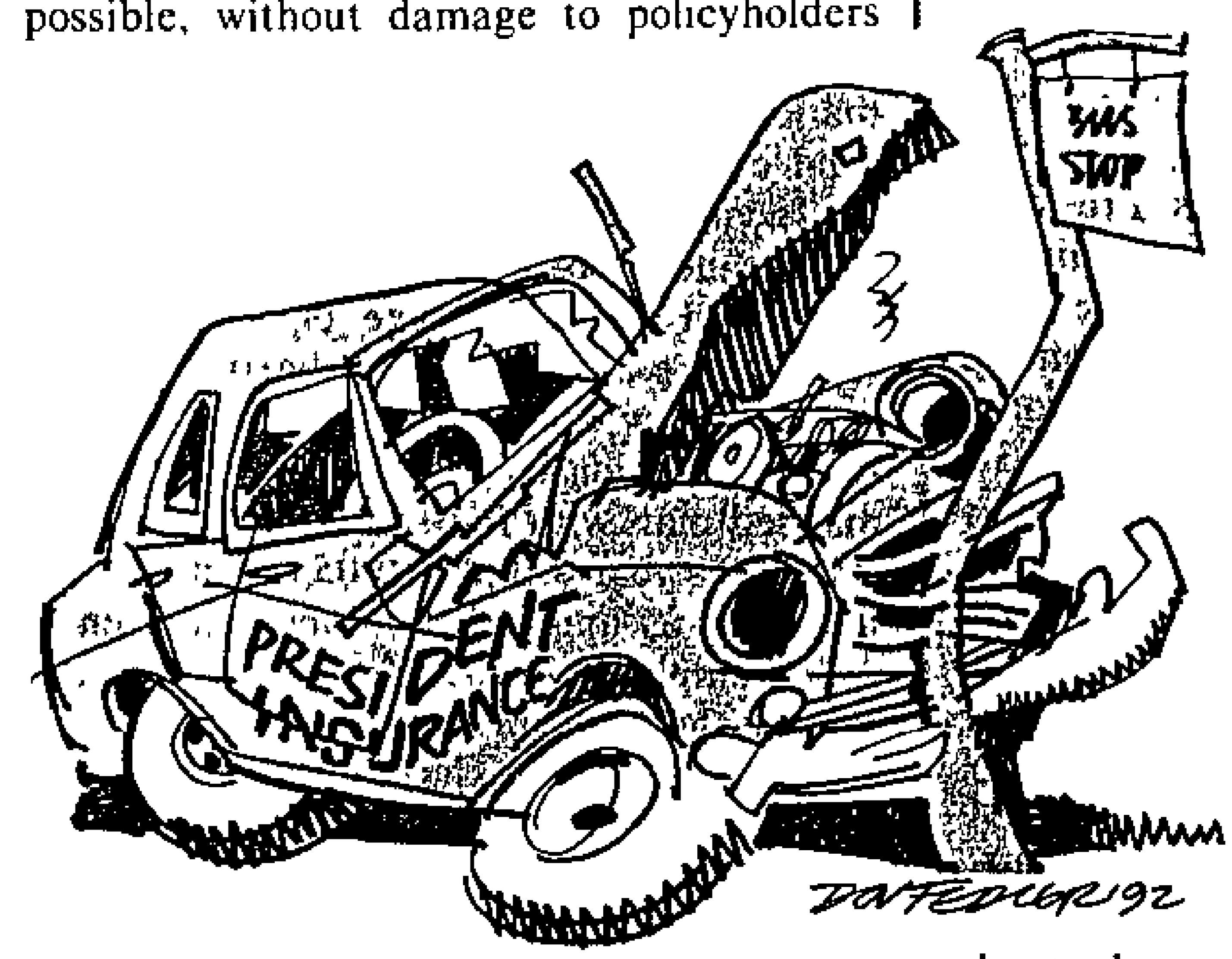
☐ The circumstances in which President employees and directors signed cheques, knowing that only the curator could authorise payments and act as the "A" signatory; and

☐ How they ran up a R2m overdraft at Nedbank, contravening the Insurance Act.

Financial Services Board short-term insurance affairs manager Nico Fourie says it's possible the new owners of President "were just naive," though, clearly, he does not subscribe to the idea. He adds: "The mills ... grind slowly ... but exceeding small."

But perhaps not so slowly. President was acquired from Rentbel in April by a consortium led by Willie Smit, MD of insurance broker Profsure (*Economy* April 3). In papers before the court last week, it became clear that, directly and indirectly, Smit controlled 82% of the insurer — another contravention of the Act. He had previously told the *FM* he controlled 24%.

The board was suspicious, at the outset, of the motives of Smit and his financial director Kobie Maree, and later caused a respected insurance personality, Robert Shaw, who had been a consultant to President, to be appointed curator. The curatorship was confidential to enable matters to be put right, if possible, without damage to policyholders and public confidence (*Economy* November 13 and 27).



Meanwhile, Smit had entered a deal with Edenvale broker Jan van Blerk to merge Profsure with Van Blerk's firm, Panorama — another controversial company, as it was associated with insurance broking under the Co-operatives Act, a practice condemned in the third report of the Melamet Commission. The merged firm was called PPM Insurance Brokers and it was perhaps ironic that it chose for its northern Transvaal headquarters a building called Masada.

Shaw submitted his first report as provisional curator to the Supreme Court on October 21. It mentioned irregularities but gave a qualified approval to the existence of the company — and its emergence from curatorship — subject to some conditions. The report addressed contraventions of the Companies Act, *inter alia*, and stated how the company would be restructured. This new structure gave 17,91% of the equity to Dirk Olivier — a name which figured in subsequent reports of the curators.

Shaw stated: "The shareholders and directors have entered into an agreement with the writer whereby (he) will be appointed a consultant to the company and chairman of a management committee to monitor the day-to-day activities and ensure compliance with all statutory requirements and sound administration and management for the benefit of policyholders and shareholders."

Business planning

That report also included some business planning from Shaw which would have ensured a heavy, but diminishing, reinsurance programme over five years.

But, by October 24, Shaw was recommending to the court that the company should be liquidated. After discussions with auditor Price Waterhouse, his submission included the following:

☐ Free reserves were less than required by

cont →

ECONOMY & FINANCE

FM 4/12/92 (58)

the Insurance Act;

☐ Misconduct by the present executive directors led to an overdraft and lack of funds to meet cheques presented;

☐ The directors' wilful action in contravention of the court order leading to a lack of trust resulted in an inability to raise further funds to recapitalise the company, and

☐ The MMF's view that possible material irregularities may result in a further shortfall of cash to repay indebtedness to it.

By November 23, Shaw had been joined as curator by others, including Willie van der Merwe. Their application for liquidation was accompanied by more documentation from Nedbank and Price Waterhouse.

The auditors' letter indicates President was funding shareholders from premiums: "From our work, it appears that there have been significant underpayments of premium (sic) to President from Profsure and Panorama. The amount outstanding at June 30 1992 in respect of agents' balances was R2,59m. Subsequent to the financial year-end, certain Panorama premium payments have been made to Profsure.

"There are also premiums collected by Profsure which are unpaid in respect of July and August 1992. We anticipate the short payments, post-year-end, amount to approximately R2,8m. In addition to the above balances, there are other loan account amounts owing by Profsure to President which amount to approximately R3,03m."

Above R8m

That puts total indebtedness from Smit's Profsure to President at above R8m.

The curators expect the liquidators to recover what they can from the two broking firms for President. Their report also notes that some mishandled funds were trust funds — which could be ominous for the directors.

As for payments to Joyce's Panelbeaters, the curators say: ". . . it is apparent that no claims were due and payable. The claims cheques were, in our view, fictitious amounts and we are unable to trace any files in respect of such cheques."

The curators have, however, identified Dirk Olivier as owner of Joyce's Panelbeaters CC. They were unsuccessful in attempts to meet Olivier but a letter later stated that all correspondence would be through his lawyers.

The Financial Services Board probably did all that was reasonable. It has a regulatory role under 13 Acts, which give opportunities for arbitraging (the in-word for ducking and diving) if an operator is that way inclined, and it recognised Smit's operation. It's unlikely that, considering there is not yet a comprehensive Financial Services Act, it could have suppressed the matter quicker.

Says an FSB spokesman: "There will never be perfect regulation and we cannot advise people how to invest money or where to buy insurance. But we now have more skills and manpower than we did even a year ago; so investigations can be that much faster."

Bryan Deans

METROPOLITAN LIFE FM 4|12|92

Change of pace (58)

The 79% rise in Metlife's disclosed surplus for the year to end-September is derived primarily from a lower transfer to reserves rather than growth in recurrent business. A more appropriate indicator of growth comes from the 23% increase in EPS to 86c

Recurring premium business remained buoyant, with a 21% rise in individual recurring premiums, though individual group schemes grew only 14%. In the single premium division, group schemes again weakened the gains by individual business, which rose 47% to R35m. In total, single premium income fell 22%; aggregate premium income increased 16% to R816m.

To appraise the underlying performance, it is necessary to make an assumption about tax, which is undisclosed. Assuming investment income was taxed at the same rate as in 1991, tax could be about R32m. By inference, the transfer to the long-term insurance fund for future liabilities would have been R406m (1991: R425m). The lower transfer boosted the disclosed surplus attributable to shareholders.

The long-term insurance fund was inflated by a R228m capital appreciation after restating assets at market values. This, with

FM 4|12|92 (58) **FOX**

the R406m transfer, lifts the value of the long-term insurance fund to R4,29bn — 17% up on the restated 1991 figure.

Both marketing costs (up 24%) and operating costs (20%) rose faster than total income. It was not a good year for the company, but that should come as no surprise, considering that disposable incomes are shrinking. The previous 10 years were good, so shareholders will hope this is not a sign of a prolonged deterioration. *Gerald Hirshon*

ABSA FM 4|12|92

Settling down (58)

With Bankorp included in the enlarged banking group's interim results, a comparative analysis remains problematic and, consequently, the effects of the merger are still unclear.

But from what can be gleaned, Amalgamated Banks of SA (Absa) seems to be settling down well and has put in a creditable performance over the first half. Most promising sign is the 14,3% increase in EPS, coming on an additional 109m shares issued to settle the Bankorp acquisition.

Net interest income as a percentage of interest on advances has widened slightly to 32,3%, from 28% in the previous interims, and Bankorp is largely responsible for the big jump in advances and total assets, which now stand at R82,7bn. With interest margins likely to be less attractive in the coming six months, management must be pleased with the near doubling of other operating income to R857m.

On the downside, bringing Bankorp into the books has seen the bad debt provision nearly double to R420m. That was expected and the question now is whether most of the debt that came with the acquisition is through the accounts. Chairman Herc Hefer

FM 4|12|92 (58)

says rationalisation of Bankorp's interests has been "largely completed."

Operating expenditure (R1,87bn) has risen slightly quicker than operating income (R2,29bn) but this is probably due to merger and rationalisation costs. Unless there are unexpected surprises ahead, operating costs should start to slow down.

DIGESTING BANKORP

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Advances (Rbn)	42,1	42,2	63,8
Deposits (Rbn)	46,1	48,9	70,8
Attributable (Rm) ..	207	284	294
Earnings (c)	45,4	62,2	51,9
Dividends (c)	15,5	24	17

Tax has risen sharply from R67,5m to R141,8m, though the new financial services levy has added R36,8m to the bill. However, tax should not be of great concern in the next year or two — one suspects Absa must have substantial assessed tax losses it can use. Management won't reveal the figure but does say market estimates of about R500m are conservative.

It seems generally accepted that benefits from generous interest margins have peaked for banks. Absa, after its rationalisation phase, could have advantages relative to its competitors in financial 1993.

With interest margins narrowing, focus is likely to be switched to bringing down bad debts and containing costs. Absa should be in a strong position here, able to get better efficiencies and lower operating costs because of its size. Any further retrenchments and rationalisation will also have a direct effect on the bottom line.

But it remains to be seen whether CE Piet Badenhorst is unlocking value and getting more from the whole than the parts.

The share, at 910c after peaking at 1 150c at the beginning of the year, is still not getting the same rating as Standard Bank Investment Corp and First National. Premium on NAV, about 12,8%, is much lower than the other big banks. But, at its current price, the share seems relatively cheap.

Shaun Harris

Old Mutual's market share at record high

(58) STAR 4/12/92

OLD MUTUAL'S market share of life insurance premiums in South Africa rose again over the previous year to reach its highest level since statistics became available from the Life Offices' Association.

Mr Mike Levett announced this in his chairman's address at Old Mutual's 147th annual general meeting yesterday and said Old Mutual had once again had a good year with continued sound growth in all the countries in which it operates, despite the difficult conditions experienced in those countries.

During the year, Old Mutual became the first life assurer in Africa to exceed R10 000 million in premium income. Total premium income reached R10 200 million during the 12 months, representing growth of 27% over the previous year. This was just 10 years after it first received R1 000 million from policyholders in a year.

Income from group single premiums showed particularly strong growth but overall recurring premium income also grew very satisfactorily to R6 500 million.

Mr MIKE LEVETT Chairman of Old Mutual.

Mr JOE STEGMANN: "Old Mutual a pioneer in life assurance".

Expenses

Payments to policyholders grew by a remarkable 51% to R6 800 million, more than half of which was paid to individual policyholders. This is more than the total amount paid out in the 142 years up to 1987. Old Mutual is therefore paying out more than R27 million to its members each working day. Most of these benefits were paid to members during their lifetimes.

Mr Levett said that it was important to control operating expenses, as efficiency meant better value for money for policyholders. Old Mutual's expenses increased by only 14% over the year, despite the significant growth in business being administered.

Total assets held by Old Mutual exceeded R74 000 million at the end of the financial year. These assets represent the funds held to settle future claims of its policyholders. A further R13 000 million in assets was managed on behalf of investment and pension fund clients and Old Mutual Unit Trusts.

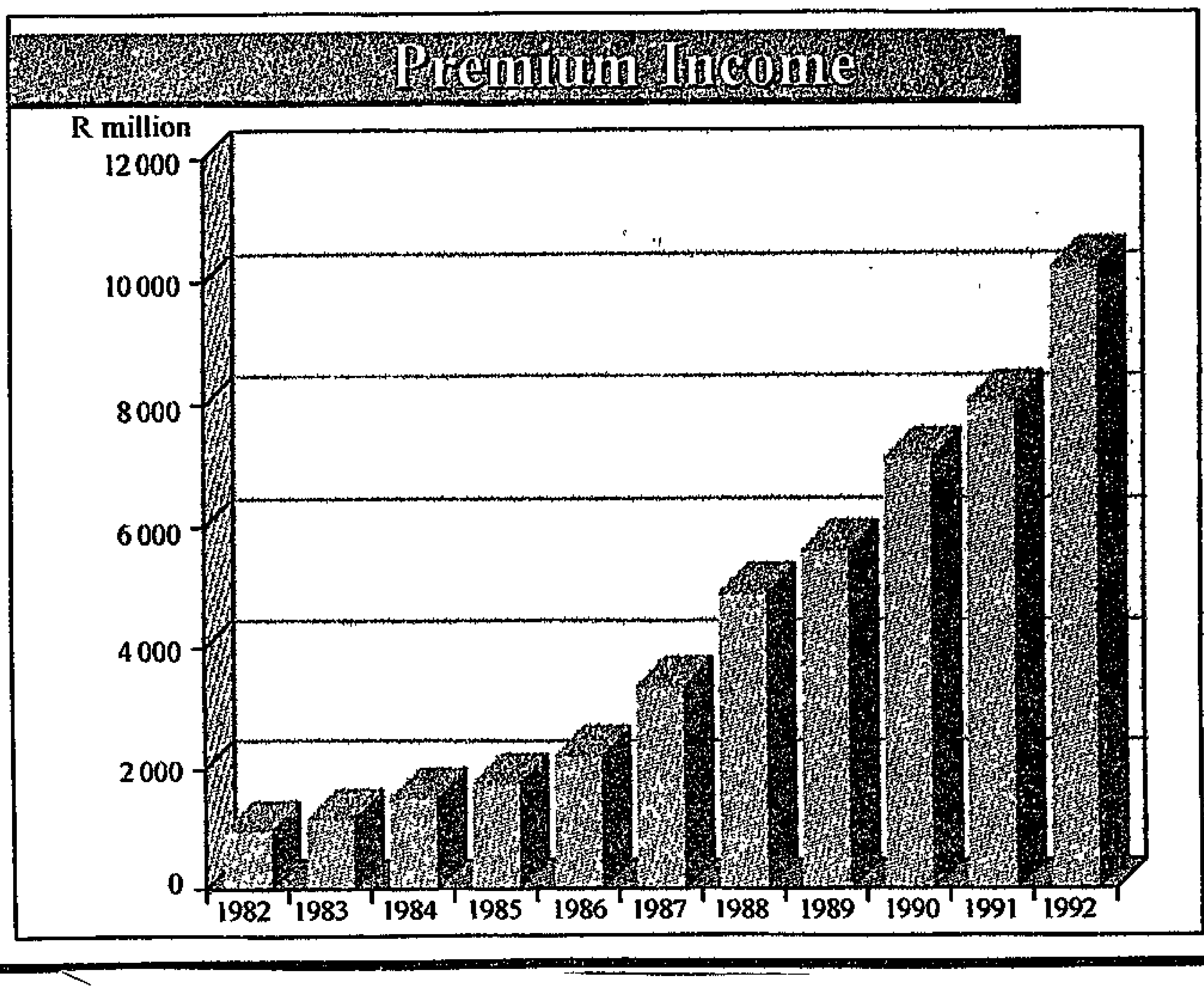
Same mission

Mr Levett added that the society's sustained growth had been remarkable when looking back over a longer period, even allowing for inflation. Taking out the effect of inflation, premium income and benefit payments are still, respectively, 2,5 and 4,7 times what they were in 1982.

According to Mr Levett Old Mutual's mission continues to be the same as it was at its founding in Cape Town in 1845: "To help our members provide for their old age or, in the event of early death, for the well-being of their dependants, whilst mobilising their long-term savings for investment in suitable assets."

Old Mutual is a mutual society and therefore exists solely to serve its members. All the profits earned go to its members as there are no shareholders.

In closing his address, Mr Levett paid particular tribute to all the intermediaries who supported Old Mutual and he thanked the management and staff for their dedication and service.



Old Mutual's premium income passed R10 000 million, a new milestone.

ACCUMULATED *retirement* funds represent a national asset of great worth to South Africa and any changes in tax treatment of these funds must not remove incentives for retirement provision, says Mike Levett, chairman of Old Mutual.

He urged that the tentative proposals by the Jacobs Committee to amend treatment of contributions to retirement funds should be treated with extreme caution. Any changes in tax treatment of these funds must not take away the incentives for individuals and employers to set aside money in advance for retirement through approved funds.

Changes should also address the current preferential tax treatment of retirements from State funds relative to private sector funds, particularly in respect of lumpsum payments.

Abolition

Mr Joe Stegmann, chairman of Sasol, fully endorsed Mr Levett's note of caution on these proposals during his seconder's address at Old Mutual's annual general meeting yesterday. He added that every effort should be made to encourage people to make adequate financial provision for their retirement.

Advertising feature

Record high for Old Mutual share of market

(58)

Sowetan 4/12/92.

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Total assets under management amounted to R87 000 million, more than 16 times the figure in 1982.

Same mission

Mr Levett added that the society's sustained growth had been remarkable when looking back over a longer period, even allowing for inflation. Over a 10-year period, premium income has grown tenfold and benefit payments eighteenfold. Taking out the effect of inflation, premium in-

ments are still, respectively, 2,5 and 4,7 times what they were in 1982.

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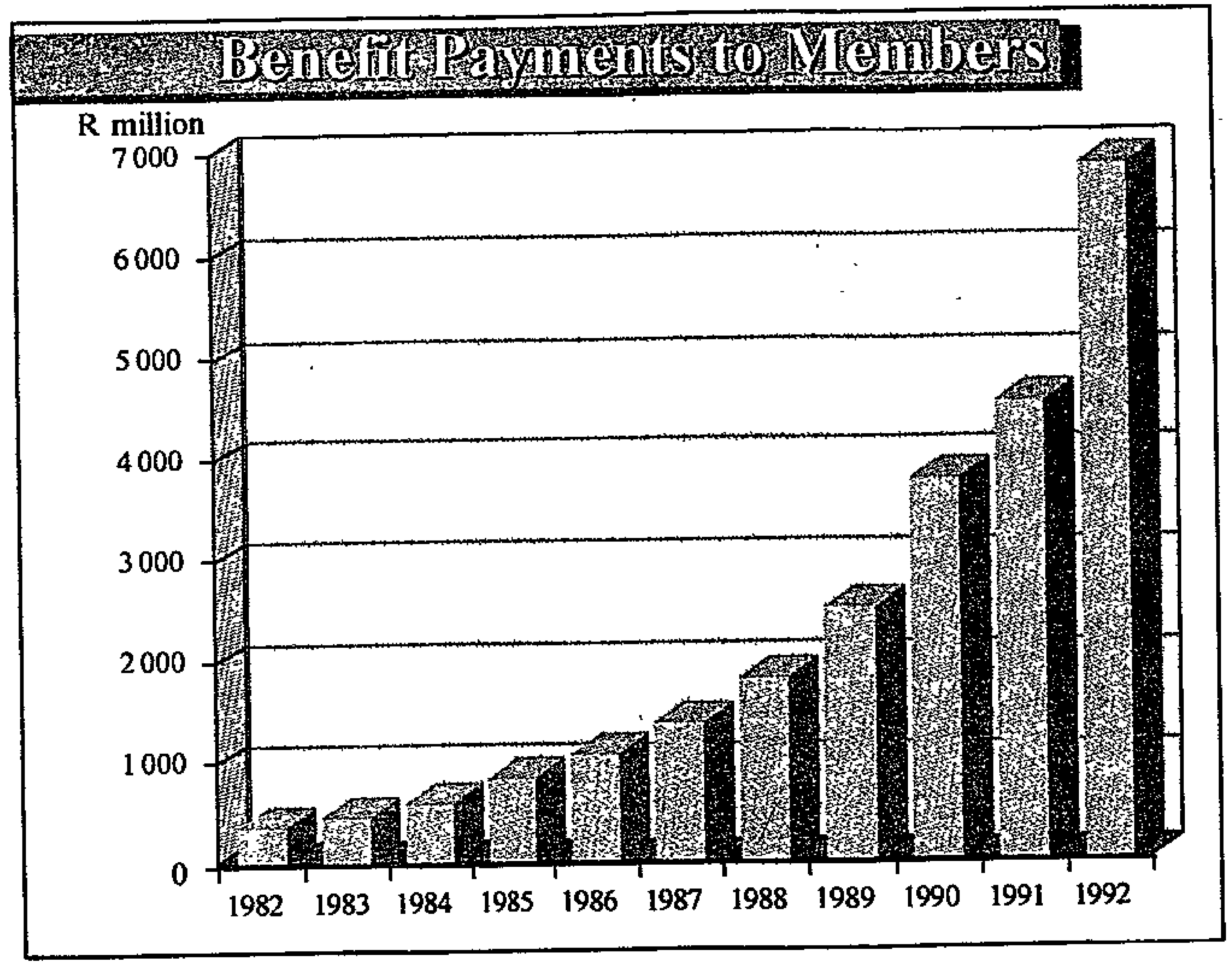
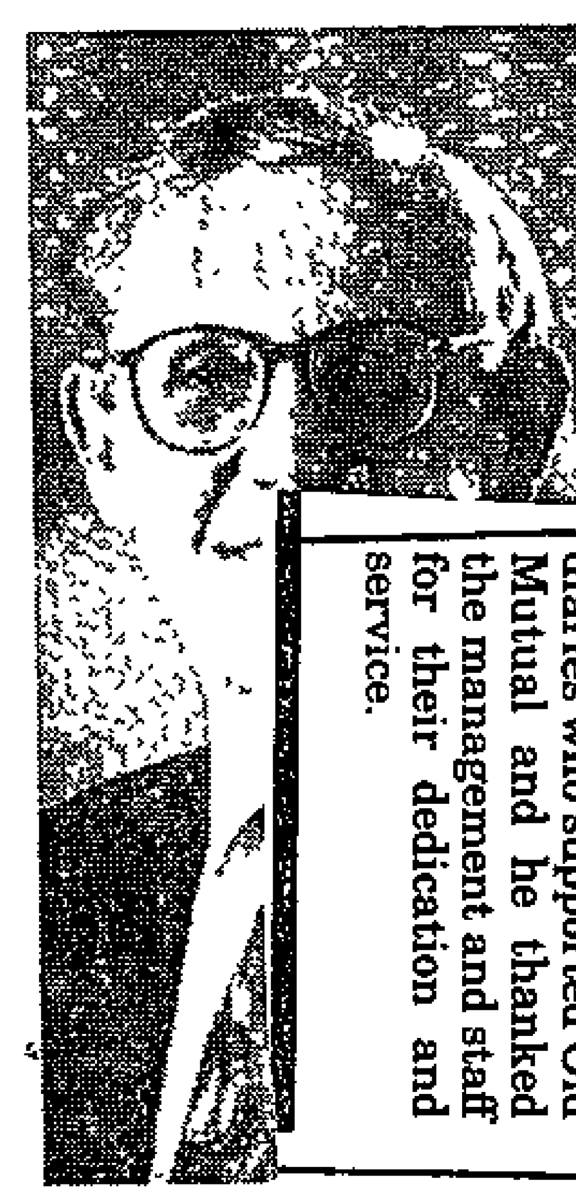


During the past year, Old Mutual paid out R6 800 million in benefits to members and their beneficiaries. This is an average of R27 million for every working day.

Mr MIKE LEVETT Chairman of Old Mutual.



Mr JOE STEGMANN: "Old Mutual a pioneer in life assurance".

SA in bank survey for first time

HILARY GUSH 58

SA HAS been included in the Bank for International Settlements survey of foreign exchange market transactions for the first time.

The survey, which covered 26 countries, included turnover in the spot, forward, futures and options markets. The findings, which were released in the latest Reserve Bank Quarterly Bulletin, show that the local forex market — barring Reserve Bank activity — handled transactions worth around US$4,2bn each working day in April this year.

This compares with turnover figures of $73bn in Hong Kong and $5bn in New Zealand.

The results indicated average daily gross turnover of spot transactions in SA amounted to $2,4bn in April 1992, or about 56,5% of total turnover. Forward transaction turnover was $1,8bn — 42% of the total — one third of which comprised swap transactions and the rest outright forwards.

The review said that at 1,5%, currency futures and options markets were "relatively insignificant".

Rand transactions made up 66,5% of total turnover, the dollar against third currencies 33,2%, and the Deutschmark against other third currencies 0,3%.

BD 4/12/92

COMPANIES

Nedcor affected by downswing

SHARON WOOD

THE persistent and severe economic downswing had an impact on Nedcor's activities and resulted in the need to increase bad debt provisions, Nedcor chairman John Maree said yesterday in his chairman's statement.

(58)

However, the normalising of SA's political relationships enabled many of the group's clients to expand their participation in international trade, he said.

Nedcor was positioning itself internationally to provide appropriate support. To this end an international advisory committee was constituted during the year.

SA had to be an internationally competitive economy and its comparative advantage was a modern infrastructure.

Maree said SA also had to develop a strong work ethic. Accelerated training with its impact on the skills pool and productivity was a prerequisite for economic growth and international competitiveness.

SA's economic infrastructure and banking and financial sector enabled it to play a positive role in the economic development of the subcontinent. "Our financial institutions and markets are regional assets. They are an important part of an economic structure on which growth and increasing prosperity for all will be built."

Maree stressed SA also needed a large informal sector, where small businesses would create jobs and incomes.

Old Mutual's market share at record high

CT 4/12/92 (58)

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M&F keeps its powder dry for catastrophe

S1 Times (Buss) 6/12/92 (58)

Sunday Times TOP 100

NUMBER 8

1987= R10 000

1992= R60 038

KEN SAGGERS: A couple of 10-minute disasters enough to wipe out the reserve cash pile

By TERRY BETTY

IN looking after its customers, short-term insurer Mutual & Federal has also been good to its shareholders.

M&F, South Africa's largest short-term insurer with 20% of the R7-billion-a-year business, was one of the few to report an underwriting profit in the year to June 1992. It also overcame poor conditions in insurance to achieve record earnings of 298c a share.

This result is largely attributed to a strong investment performance. While gross premiums increased by 8% to R1 291-million in the year to June 1992, pre-tax dividend and interest income net of expenses rose 22% to R143,9-million.

The company's dividend and investment income rose by 22% in spite of the weak economy.

Taxed investment income is enhanced by redirecting funds to tax-free dividend-bearing investments. M&F does not invest in property because of the nature of the short-term insrance business.

M&F managing director Ken Saggers attributes M&F's performance partly to luck.

He says: "The drought meant M&F suffered much lower storm, hail and flood-related losses."

REVIEW

M&F has built up a R60-million catastrophe reserve because favourable weather conditions for it will not continue indefinitely.

Mr Saggers says: "A couple of major catastrophes could write off the entire surplus."

For example, the company paid more than R25-million in claims after the Welkom tornado in March 1990 and R20-million after the Barberton hailstorm in November 1990.

"Both disasters were over in only 10 minutes," says Mr Saggers.

Examples of a tightly run ship are evident in the company's seven-year review. Assets have increased fivefold, investment income has quadrupled and expenses and the commission ratio have dropped 23%.

Mr Saggers says the company attaches great importance to maintaining its general expenses at a low level. Although they increased slightly last year, expenses take only 8% of net premiums against insurers' average of 14%.

An underwriting deficit of nearly R9-million has been turned into a surplus of more than R52-million in seven years.

HEALTHY

The new R60-million catastrophe reserve, shareholders' funds of R1,6-billion and the R123-million catastrophe reserve allow M&F to do some of its own reinsurance.

The company lays off only 15% of its business with reinsurers against the industry average of 20%.

M&F's conservative approach is evident in its high solvency ratio of 130%. Mr Saggers says it was 146% in June, but has been eroded by a weak stock market. The solvency ratio implies that for every R1 of premium M&F accepts, it has R1,30 to back it up. This is way above the industry average and the statutory minimum of 25%.

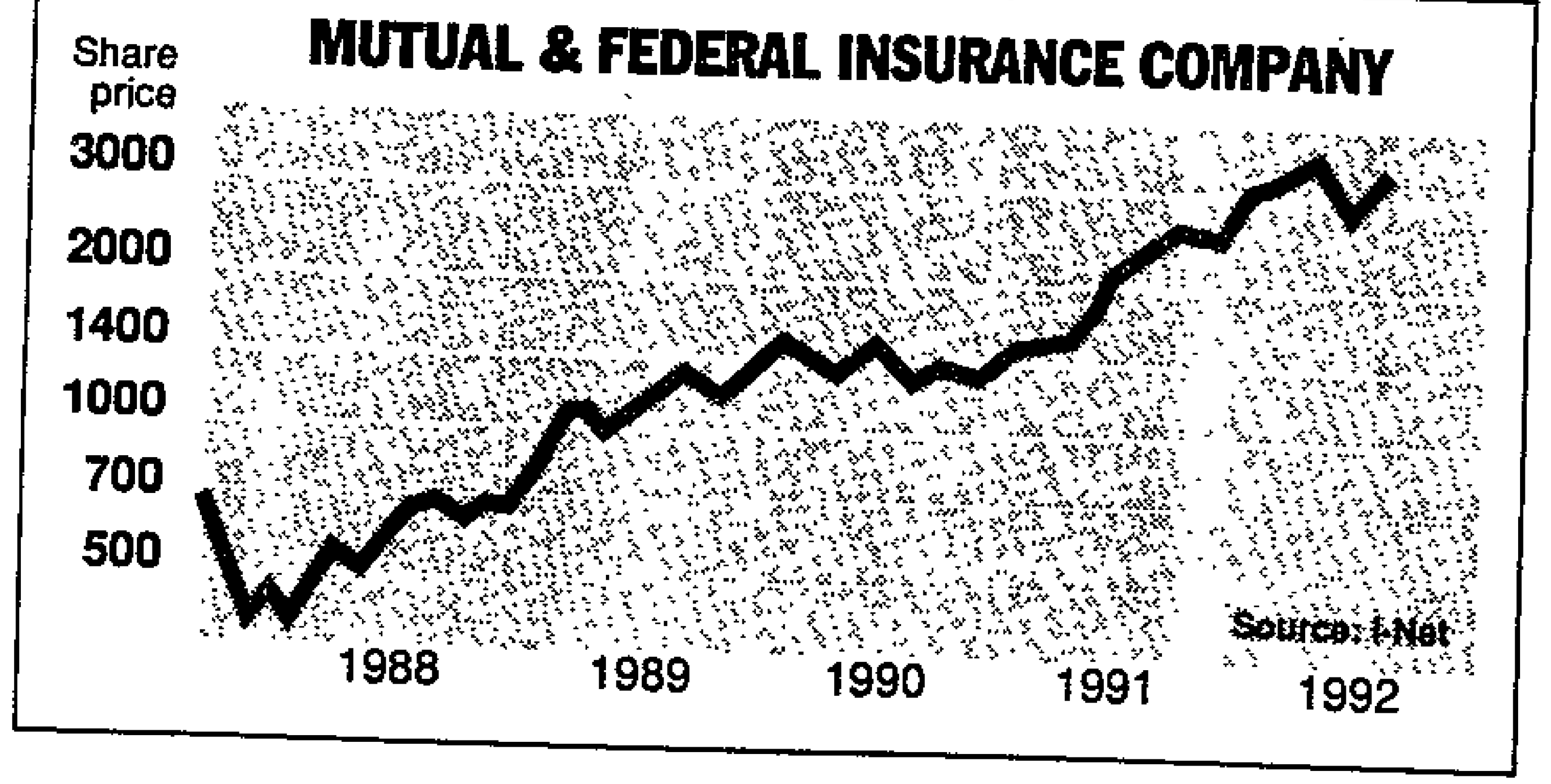
M&F is also conservative in underwriting.

"We are selective in the risks we accept because we do not seek growth at all costs. M&F will let business pass it by if the pricing is incorrect."

As healthy as this sounds, all is not rosy in the insurance business, whose bottom line is directly affected by unrest and a high crime rate.

Mr Saggers says that although the crime rate is not rising as rapidly as it was a few years ago, it is still high. M&F processes an average of 1 200 claims a day.

Fraud and arson are increasing at an alarming rate. Many incidents of do-it-yourself liquidation fires and industrial unrest fires have been noted.



EXCESS

Another problem in the tough economic climate is the tendency of corporates and individuals to self-insure.

Mr Saggers says that in the personal lines business — it accounts for about 55% of premiums collected — many no longer insure their cars. Those who do, accept the trade-off of a higher excess for a lower premium.

The same is happening in the corporate market, although more so among large businesses which have the reserves to self-insure.

Mr Saggers says: "This reduces the size of the insurance cake. Unless each industry segment works diligently to giving the customer a better return, business will come under increasing pressure as customers self-insure."

Mr Saggers says premiums will rise by about 15% to 20% next year, although rates will remain at 0,2%.

M&F is a conservative company and its shares should be considered a long-term investment.

SA is set to join MIGA

S Times [8455] 6/12/92.

(58) By KEVIN DAVIE (~~256~~)

SOUTH Africa is soon to apply for membership of the Multilateral Investment Guarantee Agency (MIGA), the World Bank's insurance arm.

Finance Minister Derek Keys has said that MIGA membership will be an important building block as part of an overall strategy to attract foreign investment.

The Cabinet has approved the application for membership, which is expected to be formally submitted within the next few weeks.

MIGA provides political risk cover to its 97 member countries. MIGA's Leigh Hollywood says he forsees no obstacles as SA meets MIGA's requirement of World Bank membership. SA is a full member of the bank.

SA is to apply for developing status at MIGA, which means that investments — both by foreigners in SA and by SA companies offshore — will be eligible for cover.

Developed status would only allow insurance to be provided for SA companies making investments in other MIGA member countries.

Mr Hollywood says he understands that the Government is favourably considering an application at the moment.

A finance source says SA's representative at the International Monetary Fund, Frans le Roux, will sign an application for MIGA membership in the coming weeks.

MIGA provides political risk cover of up to \$50-million per project but has been involved in projects of up to \$600-million, co-insuring with other private and public insurers.

Formed in 1988 with authorised capital of \$1,082-million, MIGA now has 97 paid-up members with 71 more in the process of becoming members.

MIGA's guarantee programme is designed to encourage the flow of investment to less-developed countries by mitigating the political risks.

Its participation in a project typically enhances confidence that the investor's rights will be respected.

MIGA protects against losses from currency transfers from the investor's inability to convert local currency returns into foreign exchange for repatriation.

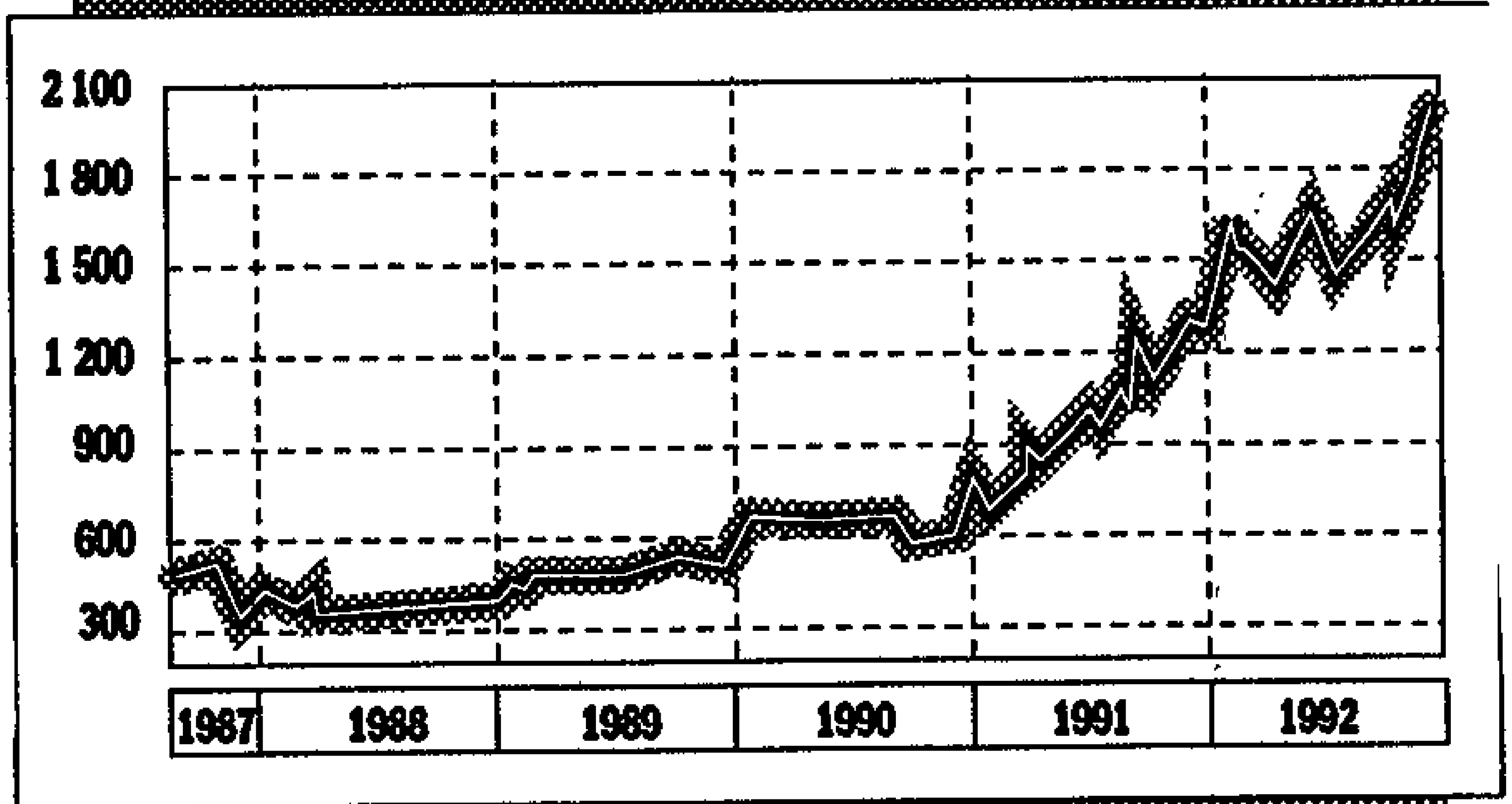
It also protects against adverse changes in exchange control laws or regulations, but does not cover currency devaluation.

MIGA provides cover against expropriation, be it outright or creeping, where a series of acts over time may have the effect of expropriation.

Wars and civil disturbances are also covered by MIGA, as are breaches of contract by the host government.

"In keeping with MIGA's objective of promoting economic growth and development, investment projects should be financially, economically and environmentally sound, and should contribute to host country needs, such as job creation, technology transfer and export generation," says MIGA.

METROPOLITAN LIFE



Metpol's narrow focus pays off

S/Times Buss 7 6/12/92 (58)

METROPOLITAN LIFE's rapid rise in share price in the last 18 months shows what an increase in tradeability can do for a good company tightly clutched.

During 1991, controlling shareholder Sanlam reduced its holding from 72% to 49%, the shares were placed at 950c with institutions, including 13 other insurance companies, and a rights issue was held at 850c in line with the market price at the time.

Since then, Metpol more than doubled to R21 a share, resulting in Sanlam's 49% being worth far more to it than was its 72% investment.

Managing director Marius Smith impressed members of the Investment Analysts Society with a presentation of the facts in Johannesburg this week.

Metpol has stuck to a narrow focus — insuring people with stable monthly salaries. Employee stop orders deliver 85% of the recurring premium income, bank debit orders 10% and only 5% comes in as cash at the branches.

Recurring premium income is more profitable than is single-premium business to Metpol.

A breakdown of the 1992 premium income shows that premium income from individuals was R594-million, of which only 6% came from single payments.

Group premiums totalled R222-million, only 3% from one-off premiums.

Mr Smith made reference to the increase in the number of withdrawals facing not only Metpol but also the entire insurance industry.

It always happens during a recession — at Metpol it has jumped from 9,5% of premium income in 1989 to 16,5% this year.

Death and disability claims also climbed, but not due to AIDS, against which Metpol has made special provisions of R97-million. Mr Smith expects AIDS incidence to peak at 27% in the year 2010.

Life offices will need to change the type of policy they offer, perhaps to include more investment and less life cover, as AIDS increases.

Metpol's investment performance has built an enviable track record.

Figures produced by consulting actuaries Alexander Forbes Shepley & Fitchett ranked Metpol's managed pension funds joint third out of 15 in 1991 and the managed fund performance was second out of 17 in the 15 months to September 1992.

Absa Consultants and Actuaries ranks Metpol tops in risk-adjusted terms over the past five years.

Metpol made hay while the bond-market sun shone — and believes capital rates still have some downside. In 1992, bonds' share of the asset mix climbed from 11% to 20% and money-market's share did the opposite.

Mr Smith was happy to show a graph comparing Metpol's share-price appreciation compared with Liberty and Southern. The three lines largely coincided until mid-1991, when Metpol left the others behind.

I was glad to see Mr Smith using Business Times' rankings for top companies. Eligible only from 1991, Metpol has been in the Top 100 two years in a row, finishing 21st this year.

Other highlights in the financial year to September 1992 included the launch of a unit trust fund, health care benefits, increases in the property portfolio and the introduction of an electronic rate book for Metpol's agents.

Mr Smith says the electronic rate book was piloted at 11 branches and was so successful that it is being introduced across the board. It should cut the error rate — Mr Smith says forms often had to be returned for more details, resulting in delays.

He says Metpol has a high profile in its predominantly black target market. More than 11% of its property portfolio lies in focus-market areas, such as black townships and in adjoining territories.

Mr Smith says the growth in earnings and dividends is a reflection of the pace at which Metpol has decided to release the profits arising during any one year.

As do banks, insurers also lock up undisclosed shareholder profits, which are used to smooth the normal fluctuations of investment cycles.

At R21, Metpol is on a historic price-earnings ratio of 24 — definitely blue-chip status.

Life assurers in short-term's shadow

S/Times (BUSS) 6/12/92 (58)

By DAVID SOUTHEY

ALTHOUGH life-assurance company shares continued to perform steadily through 1992 — as to be expected under fierce recessionary conditions — short-term insurers stole the limelight. After a jump of more than 60% in 1991, the insurance index rose another 25% in 1992.

Share prices of Guardian National, SA Eagle and Santam rose by more than 50% in the 12 months to November 1992. The other major blue chip in the short-term market, Mutual & Federal, recorded a 30% increase in its share price.

However, the big blue chips in insurance have never been regarded as institutional counters for the simple reason that all are firmly tied up by various life offices and consequently trade only minimally.

Trade in Guardian (in the Liberty Group stable), for example, averages less than R100 000 a month. SA Eagle trades about R240 000 a month and Mutual & Federal about R1,3 million — all well short of the minimum R2-million a month which most brokers apply in selecting institutional shares.

SHARPLY

The only short-term insurer which trades meaningfully is Santam, with an average monthly turnover of R3,7-million.

Historic dividend yields of insurers have tended to compete with those offered by gold shares and are generally at least twice — and sometimes three times — that of the industrial index. Guardian, Santam and Eagle trade on historic yields of close to or more than 5%. Mutual & Federal is on a yield of slightly more than 2%.

Crime-related claims continued to rise sharply this year and investment income growth was generally below that of the previous year. The significant improvement in insurers' bottom lines was the result of increased premiums and, more significantly, of the absence of any major natural catastrophies.

The d.ought ensured zero flood and hail damage. Fire and related losses were mercifully also well down on previous years. All therefore returned to underwriting profitability.

EXACTLY

Also noteworthy is the dramatic improvement and tightening up in management of short-term insurers in the past couple of years. Gone are the days when any old out-of-work encyclopaedia salesman could walk into an insurance branch office, get a job and in a year or two be promoted to managing director.

Life offices did exactly what was expected of them — 18% to 25% growth in earnings and dividends. Liberty Life and Libhold — which appeared underrated by historic standards early in the year — took off in the second half with share prices racing ahead by more than 30%. Special dividend distributions helped to keep the magic alive.

Speculation that tax-free dividends are a temporary phenomenon of SA corporate life promotes the view that Liberty will again display generosity to shareholders in the new year.

African Life's share price jumped by more than 40% in the 12 months on the back of excellent results and growing market penetration in its targeted lower-income sector.

ROSY

Fedsure, long and laggard in terms of share-price performance, acquired a strategic 30% interest in high-flying Investec Bank and its share price rose by 25% in the latter stages of the year.

Metpol's share price rocketed by more than 50%, thanks to vastly improved tradeability and another set of superb results.

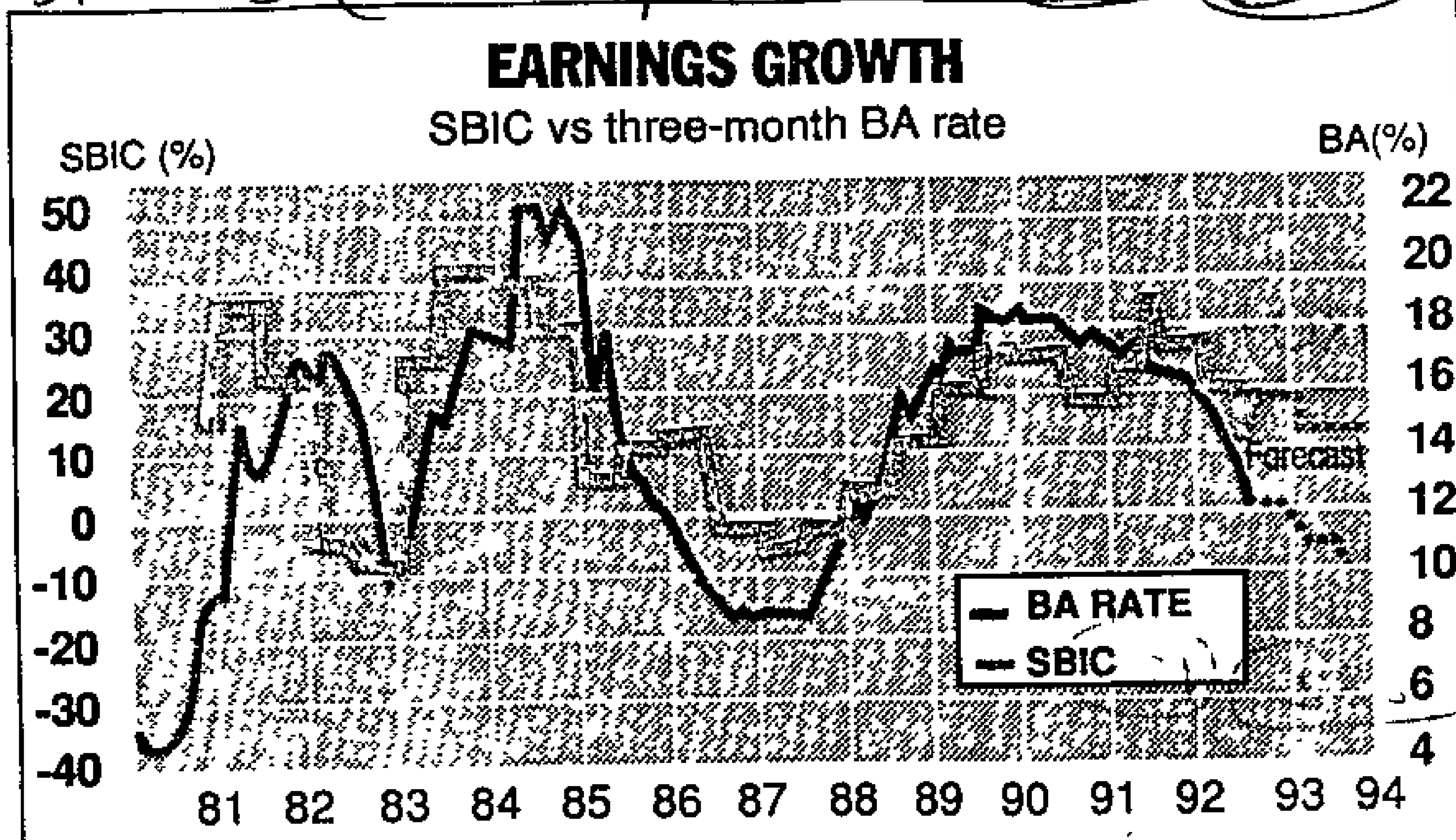
The major surprise of the year was Rand Merchant Bank Holdings' acquisition of Momentum at a give-away price from the Absa-Remgro stable. With RMB's banking operations now merged with Momentum's life business and strong management in place, prospects are rosy. Towards the yearend Momentum's share price was signalling happier days ahead, having appreciated by more than 55% since the beginning of the year.

With 1992 drawing to a close and investment prospects for 1993 looking decidedly gloomy, it is likely that the assurance sector's traditional safe-haven status will be further enhanced.

■ *David Southey is investment analyst at Edey, Rogers and Co Inc.*

Banks prosper, but they could falter

S/Times (Buss) 6/12/92. (58)



By DAVID SOUTHEY

ONCE again investors will have been well rewarded by being overweight in selected bank shares in 1992.

The recent index level of 2 860 is about 6% up on its mark in November 1991.

This is decidedly unspectacular compared with the nearly 50% appreciation in 1991, but it should be borne in mind that the industrial index has declined by about 6% since the end of 1991.

All indications at the beginning of 1992 were that it would to be a very tough year for business and the economy generally. Reserve Bank Governor Chris Stals repeatedly warned that there would be no significant relief on retail interest rates until the inflation rate fell materially.

DRASTIC

Chances of this happening so soon after the introduction of VAT in October 1991 were, of course, minimal. After the previous two years of highly restrictive monetary policy it had gradually begun to sink into the collective business consciousness that what the governor said could be taken at face value.

Institutional portfolio managers had already absorbed all the signals and wasted little time in bolstering their holdings of bank shares. Around mid-year it became clearer than ever that what every market analyst had been predicting for about a year had to happen soon: the industrial market was far too expensive, given the deteriorating economy and gloomier outlook for profit growth and would have to "correct".

At the time of writing, the correction has been nowhere near as drastic as many expected and the economic news has been considerably worse than forecast, to say nothing of the continuing violence in the black community.

The poor economy has sent bad-debt levels spiralling up, most banks increasing provisions sharply over the high amounts set aside in 1991.

OMINOUS

Judging by experience, the actual incidence of bad debts continues to accelerate for several months after a turning point in the economy. Since there is no evidence yet that we have turned the corner — apart, perhaps, from reasonable early summer rains — this is indeed an ominous pointer for banks in 1993.

So far there have been no major corporate collapses, although a couple of big retailers are thought to be teetering on the brink. Most bad-debt experiences have been in the small and medium business category. Individual bad-debt incidence has been horrific.

Two important differences between the current situation and that of 1985-86 are that the currency has remained reasonably steady so there are no major foreign-currency losses and banks have been wary of boosting lending growth against the run of the economy.

However, doubts do arise about the quality of mortgage portfolios of those banks which expanded aggressively into this market in the past two years. "Safe as houses" simply doesn't hold when — as has happened in the UK — many home-owners find themselves sitting on properties worth less than the outstanding mortgages.

Property prices in SA have weakened significantly in the past two years and could well decline further in unstable political conditions.

Overall, though, the widening of interest-rate margins this year has outweighed the negative of increased bad-debt provisions. All banks have seen significant improvement on this score — thanks entirely to the Reserve Bank's determination in maintaining high real interest rates at the retail level while market forces have driven down short-term rates at the wholesale level.

HUMMING

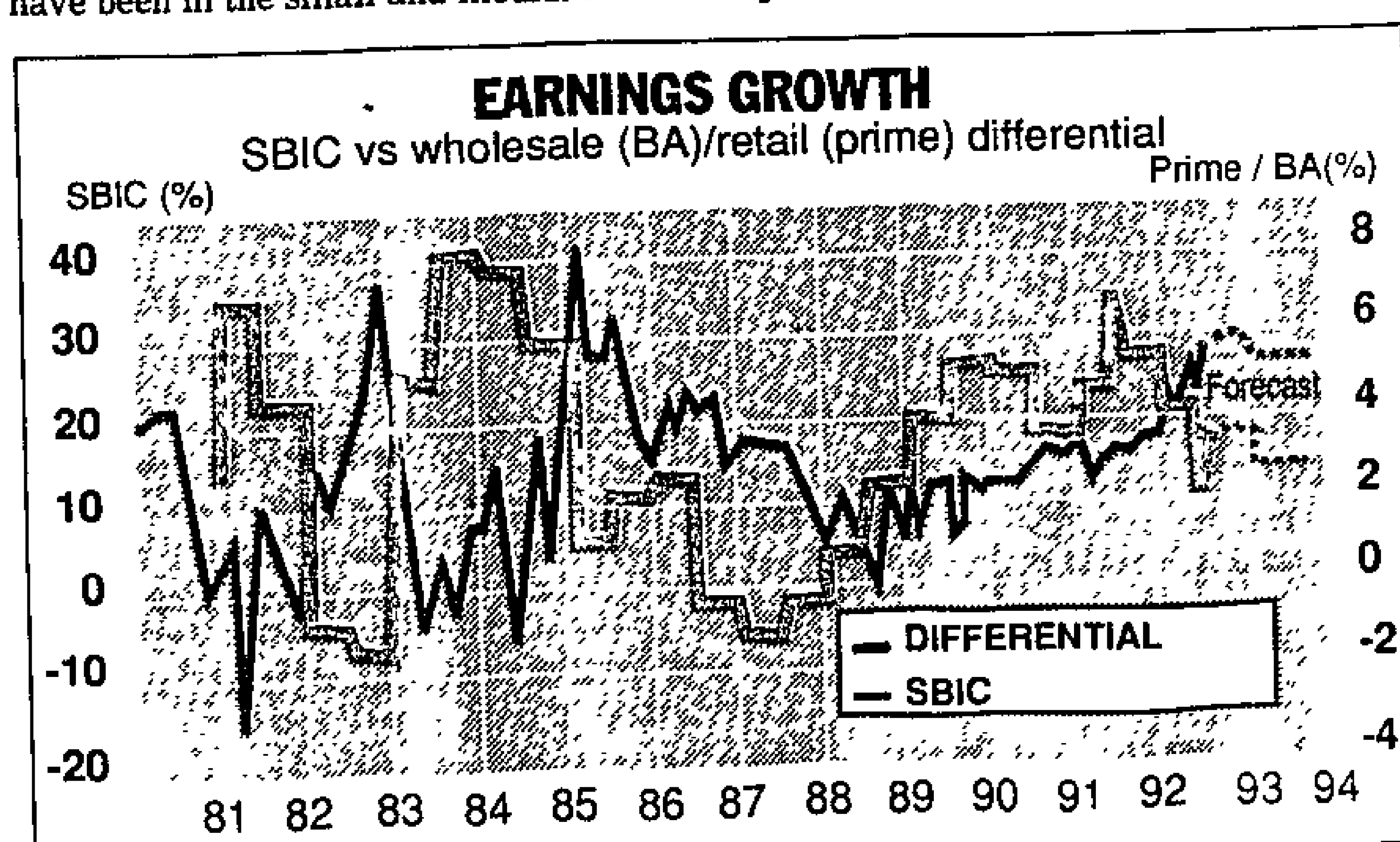
This beneficial effect can clearly be seen in the graph showing bank earnings growth (using Standard Bank as a proxy for the sector because it has the least distortion to earnings over the past decade) against the wholesale-retail differential.

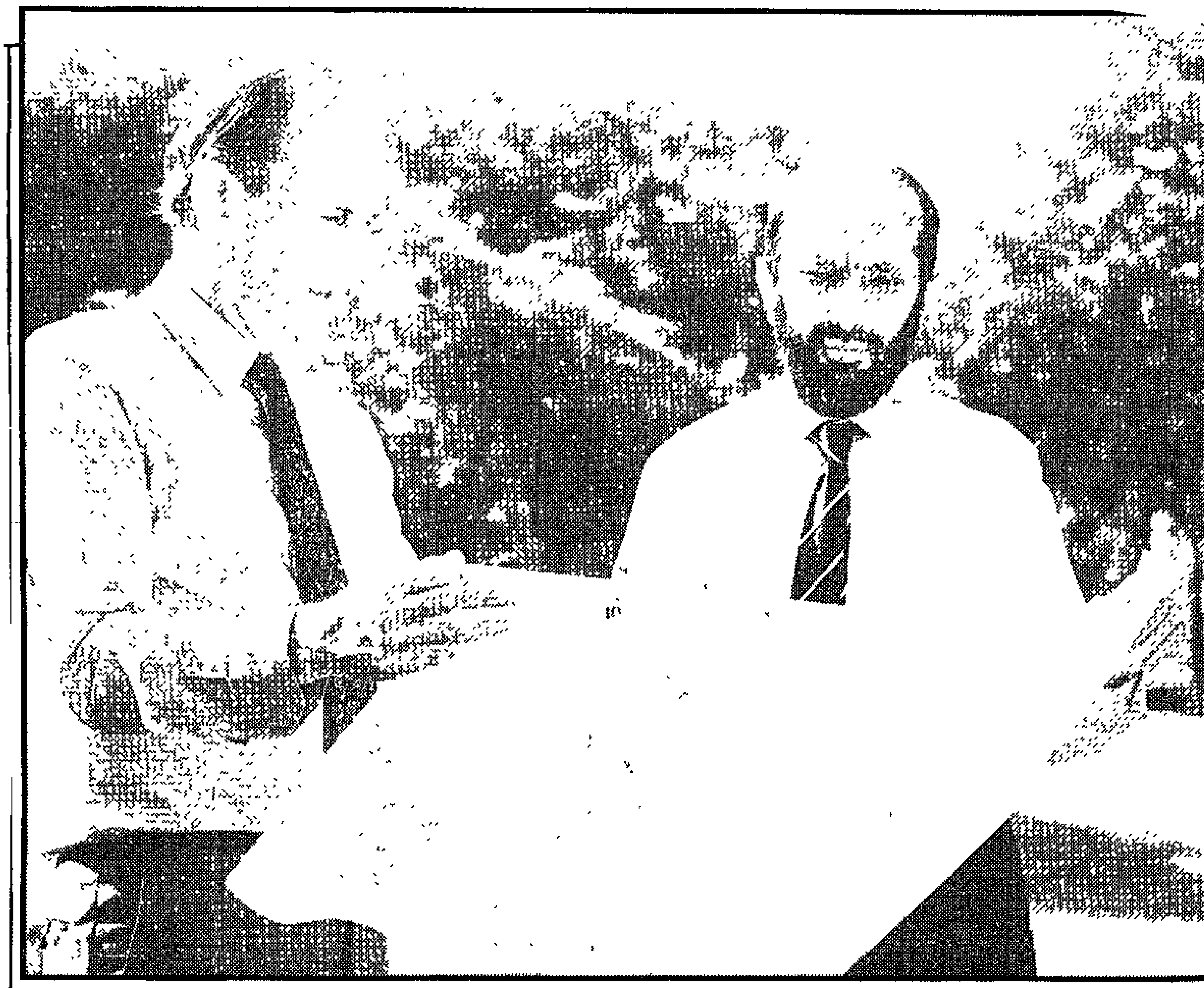
The other graph, earnings growth against the BA rate, shows how closely the two are correlated: high interest rates generally mean healthier earnings for banks and vice versa.

The importance of this picture is that, with retail rates expected to fall by at least two or three percentage points before mid-1993 — after similar declines in the inflation rate — the outlook for bank earnings growth in 1993 is less sanguine than it has been for the past two years.

What has tended to keep bank shares humming along in the face of this prediction is that the outlook for earnings growth among industrial companies in 1993 has worsened progressively.

■ *David Southey is investment analyst at Edey, Rogers & Co Inc.*





PLANNING AHEAD ... RMP's Colin Steyn and Islamic Bank's Ebrahim Kharsany

ISLAMIC BANK TO BUILD R200m HOUSING ESTATE

(58)

ST Times (Buss) 6/12/92

By TERRY BETTY

THE ISLAMIC Bank is to develop a R200-million multi-cultural housing estate in Ormonde, near Johannesburg, on land bought from Rand Mines Properties.

In the biggest single transaction undertaken by RMP in its 25-year history, it has sold the 86ha property to the bank for R25-million.

The land covers 554 residential erven, ranging from 600m2 to 1 200m2, and the houses will be sold for between R150 000 and R250 000, depending on demand.

Islamic Bank executive director Ebrahim Kharsany said they will develop the houses and give mortgages to buyers. The mortgage will have to be repaid within five years, and while the bank will not charge interest on the mortgage, it will put a mark-up on the house.

The project, which will be done in seven phases, is to begin with the land being proclaimed in January. The first homes should be ready for occupation in August.

RMP has already sold another property south of Johannesburg to Islamic Bank, which is to be developed with townhouses and cluster homes.

RMP managing director Colin Steyn says RMP has traditionally been perceived as being active only in the commercial and industrial markets. "This project illustrates the key role RMP is playing in the provision of housing close to the Johannesburg CBD," he said.

He added: "RMP is addressing issues arising from the pressures of urbanisation by initiating a number of additional projects over 100ha of land."

He said RMP has several properties close to the CBD which they have held for many years and which used to be mining land that belonged to Crown Mines.

He said this land is becoming more valuable as people wanted to move closer to the Johannesburg CBD.

Property trusts safe as a house

S Times (BUSS) 6/12/92

(58)

BARGAINS are available for investors keen on placing their funds in property through the JSE.

Property unit trusts (PUTS) and property loan stocks (PLS) are classed as indirect property because they are listed on the JSE.

Analysts say that now is the time to invest. Property trusts are cheap compared with the financial and industrial (F&I) sector whose dividend yield is 3,1% compared with 11,3% for property trusts.

Their value is enhanced by the fact the forward dividend yields on listed property are far higher than for physical property.

Frankel, Max Pollak, Vinderine analyst John Rayner says in his Property Quarterly report that falling interest rates are another reason for for investors to switch their investments into property trusts.

"There is an inverse relationship between the two.

DEMAND

"Because interest rates are likely to drop over the next year, so the index should climb as more people put their money in property trusts because the opportunity cost of holding indirect property has diminished."

Mr Rayner also sees the market being underpinned this year from increased demand by institutions which are likely to allocate about R3-billion to R3,5-billion (10% of their net annual cash flow) to property.

Investment in property loan stocks and trusts, as with physical property purchases, should be seen as a long-term investment.

"In times of rising inflation, wealth protection becomes a priority. Property investment has proven to be a sound investment over time."

The 18,9% all-in yield of the past 12 years by property trusts has beaten the all-share index which has

By TERRY BETTY

NEVILLE BERKOWITZ ... analysts should look at every property in a portfolio

shown a 16,5% return and outstripped the consumer-price index of 14,6%.

However, the property trust sector did not fare as well as financial and industrial shares which produced yields of 22,6% over this 12-year period.

If indirect property is performing above average and prospects are good, why is it so cheap?

Mr Rayner says: "The current dilemma of property vehicles is that they are influenced by the physical property and equity markets."

By being listed vehicles, the cautious investment mood has lent negative sentiment to the sector.

Property economist Neville Berkowitz says property loan stocks, which are allowed to borrow, were introduced to overcome the rigidities of the property unit trust sector.

Restrictions have been eased for property unit trust sector, the more respected of the two. It is likely to gain in popularity and performance.

Mr Berkowitz says the central problem with trusts is that they are essentially property investments, but they are analysed by equity experts who know little about property investment.

AGEING

Mr Berkowitz says that when analysts investigate a large company on the JSE they break it up into each component, look at the underlying value and take into account factors such as management and future income.

"But many do not do this for property trusts. An indication of this is that the market capitalisation of some property trusts is well below market value of the underlying property.

"Other trusts have an ageing portfolio of unattractive properties in areas that are no longer fashionable. They are unlikely to do well in the future, yet the equity market has placed a high value on them because they have performed well in the past."

Mr Berkowitz says analysts should look at every property in a portfolio, the nature of the tenants' contracts, the location of the building as well as how easy it would be to let at market-related rents.

Mr Rayner says investors should monitor the fundamentals, which include vacancy levels, provision for non-recovery of arrear rents and the abilty to increase rents at the time of lease reviews or renewals.

The world is an oyster for Inhold

S/Times (BUSS 7) 6/12/92. (58)

INVESTEC Holdings (Inhold), the holding company of Investec Bank is to globalise its operations on a larger scale

Investec recently acquired Allied Trust Bank in London for R185-million, a move which is expected to set a trend for future growth

It has a 30% stake in Amsterdam-based banking group Integro which includes a joint venture formed with Credit Swiss First Boston in 1984 Investec also has a special unit in Zambia which has several World Bank projects on the go This operation will be expanded to develop business in Africa

Inhold chairman Ian Kantor says about half of the group's income is now dollar based and will increase, boosting its rand-hedge status

By ZILLA EFRAT

Investors have benefited from Inhold's growth at home and abroad since its listing in 1986

The holding group is ranked second in this year's Top 100 after notching a simple average annual return to shareholders of 172,32% in five years

It has come a long way since its early days as a fledgling leasing company in the 1970s It took off after it bought Cape Trust & Executors in 1980 — a move that gave it a banking licence

YOUNG

Its staff complement has grown from 10 to 900 and it manages assets of more than R10-billion

In the year to March 1992, Inhold's attributable earnings rose by 27,8% to R19,9-million, or 99,4c a share It followed this with a 23,8% improvement in the six months to September.

Its results closely reflect those of Investec Bank's, its sole investment and in which its has a 51% stake

Mr Kantor describes Investec as "a very young and enthusiastic group" and attributes its success to the high quality of its people and the way it does things.

The group tries to attract the highest calibre staff members and everyone has a share in the business, including the tea lady

"We believe that if we deal well with our staff they will deal well with our clients," says Mr Kantor

Investec's management style is highly participative It expects three key attributes in its people in their internal and external dealings: integrity, openness and flexibility.

These values have enabled it to generate confidence in the market.

TOP 100

NUMBER 2
1987: R10 000
1992: R96 159

STRONG

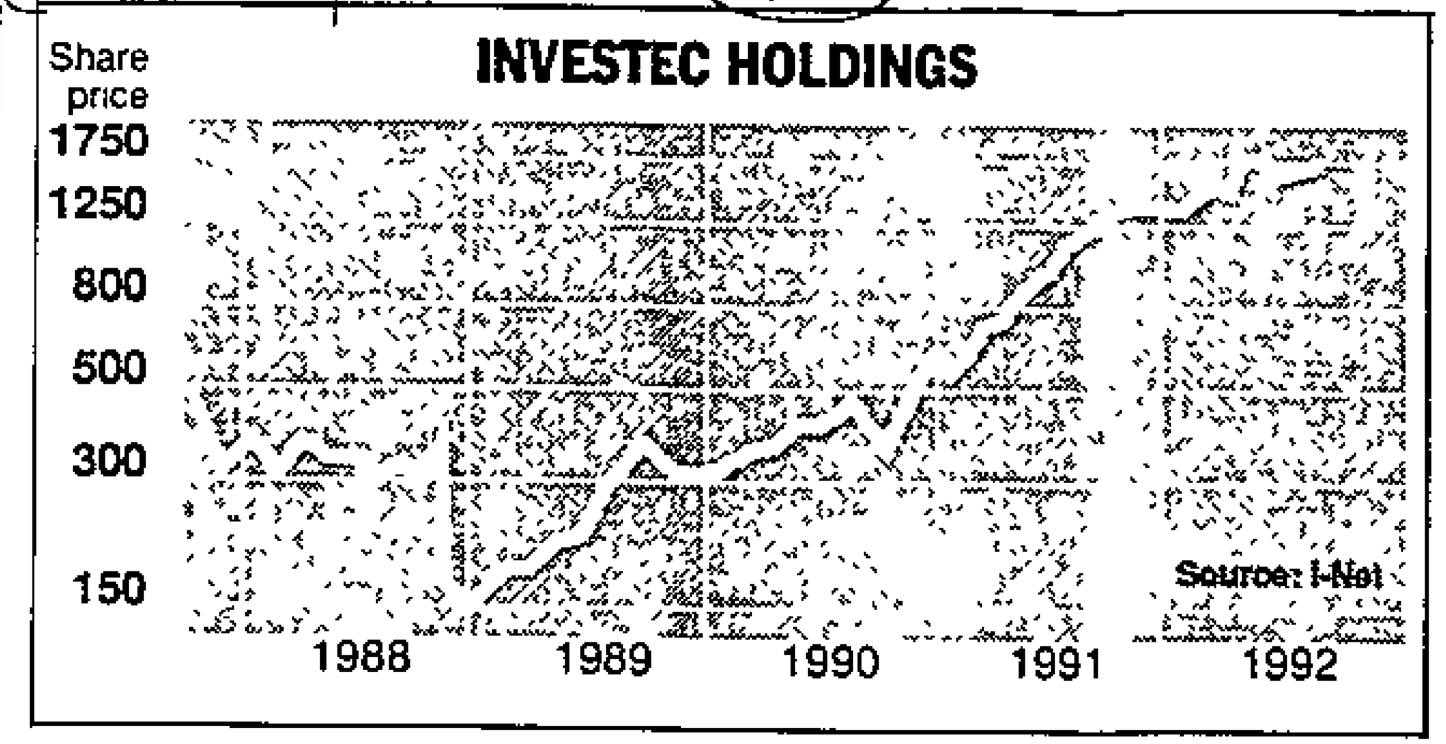
Mr Kantor says "We have built up credibility because we have always done what we undertook to do"

Many of its products have been creative, such as its innovations in Krugerrand dealings and Elfi (equity-linked fixed-interest stock), which was SA's first futures equity-linked instrument

But Mr Kantor stresses that the group has been conservative in its financial dealings.

The group's consistent performance is largely attributed to the balance of risks and diversity of revenue earned by its distinct business units. Its core businesses are banking, merchant banking, asset management, property and trade finance

Mr Kantor says this is a strong platform and will allow the group to achieve natural growth



An important development for Investec was the signing of a strategically important alliance with Fedsure — the largest independent assurance group in SA — at the end of last year.

The deal was through a cross holding of shares between the two groups The result is further diversification of the group's operations Fedsure and Investec are examing how to maximise their alliance

Mr Kantor says Inhold controls Investec and provides it with support It is the vehicle through which management and staff are able to hold a stake in Investec and influence its destiny

It continues to examine appropriate investment opportunities to broaden its base as a holding company. But these should not be investments that could be more logically be made by Investec Bank.

On the international front, Integro, which trades on both the London and Amsterdam stock exchanges, has grown in its own right since it was formed in 1984 to counter SA's increasing international isolation

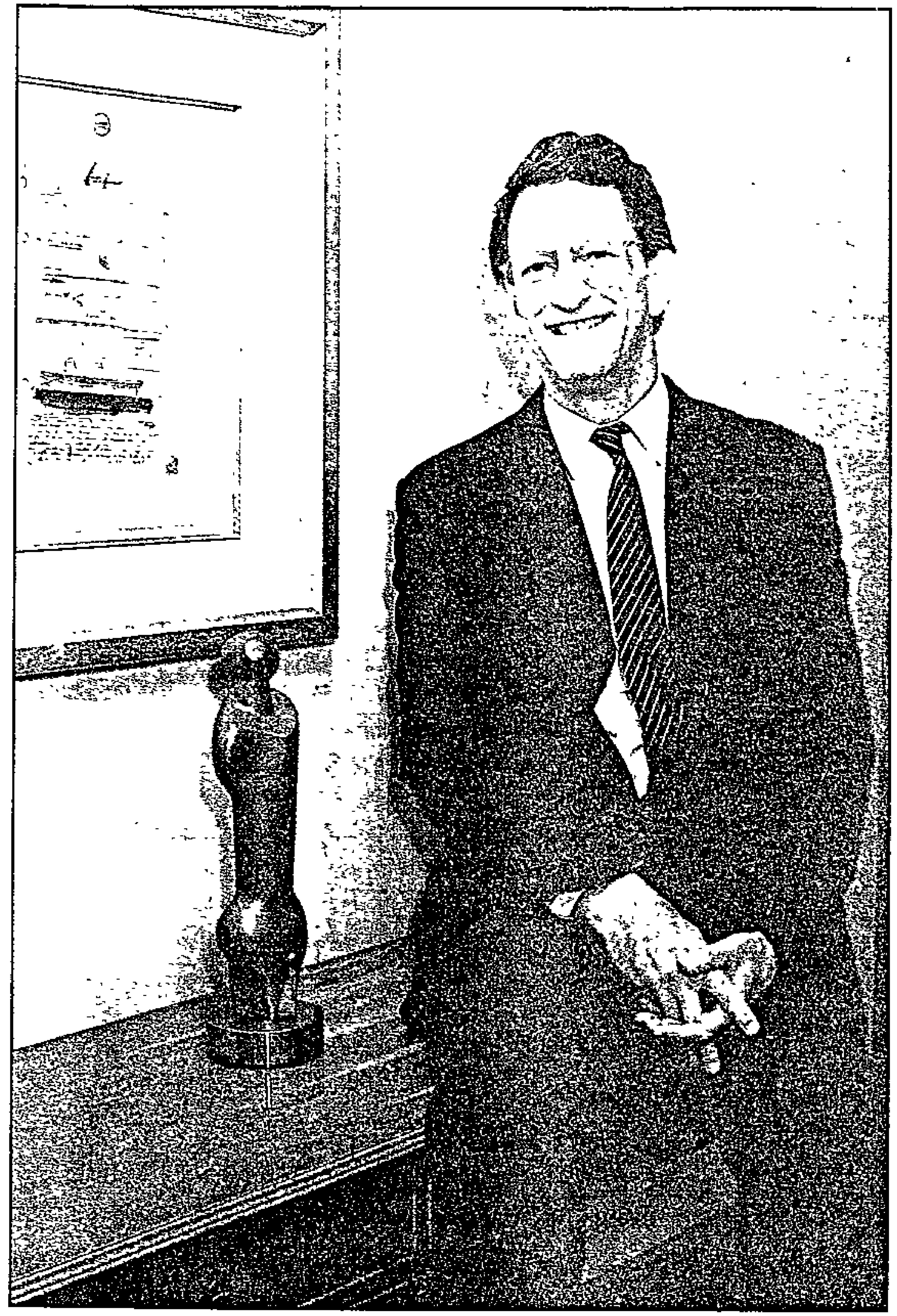
It has made about eight acquisitions and is looking at opportunities. Its revenue in the current year is expected to top R75-million

NAME

It is also foreseen that it will co-operate much more with Allied Trust Bank, says Mr Kantor

The base for Investec's solid performance was laid in 1988 when it went through a restructuring

The listed company changed its name to Inhold and the group bought out Stanbic's holding in it Investec Bank was listed on the JSE and shareholders were given the option of accepting equity in Investec Bank or cash for every new share they were entitled to



CHAIRMAN IAN KANTOR: Everyone has a share in the business, even the woman who makes the tea

High inflation rocks labour boat

S/Times (BUSS) 6/12/92

By DUNCAN INNES

THIS YEAR produced some fascinating developments on the labour relations front, providing a complex mix of both positive and negative tendencies.

The year started by looking as though it might be quiet. This was largely because of the harsh recession. It tended to make

Union (NEHAWU) was far more successful. But the is-

Num occurred in industries whose future is in

view, delivering another body blow to the staggering economy.

The stayaway forced the Government to make some important political concessues." He said the Sunday Times report was based on PAC minutes of the

lice will "fight fire with fire" against

celled," Alexander said.

Absa suspends broker

ANDREW KRUMM (58)

ABSA has suspended one of its United Insurance division brokers whose placement of investments in the Supreme Group had "required the most urgent attention", financial services MD Louw van Wyk said at the weekend.

The Durban-based broker's services had been suspended pending an investigation which could lead to a disciplinary hearing. Louw declined to disclose the amounts involved, but said they were not in the millions.

Six other Absa insurance brokers — four United insurance division employees, one Volkskas broker and a Bankorp employee — who had acted contrary to instructions, bank policy or their contracts, were also under investigation. BIDAY 7/12/92

"It seems in these cases there was not too much money involved; most of the amounts were relatively small."

Last week First National Bank and the Standard said none of their brokers dealt with Supreme on behalf of clients with the exception of one Standard Bank employee, who had faced a disciplinary hearing in 1990.

However, First Bowring suspended four brokers last week for contravening their conditions of employment by placing funds in more than 30 deals with the Supreme Group First Bowring director Patrick O'Flaherty said at the weekend investigations were continuing although no other employees had been suspended.

Plan to discredit CCB alleged

BIDAY 7/12/92

A PLAN co-ordinated at ministerial level and involving sinister co-operation between the security police, Military Intelligence and senior Defence Force officers to discredit the Civil Co-operation Bureau and turn it into a scapegoat for all the sins of the security forces had been put in operation in 1989, former CCB MD Col Joe Verster has alleged.

According to transcripts of Verster's in-camera evidence to the Webster inquest, which were made public on Friday, the covert CCB had become an offering on the altar of future co-operation between government and the ANC.

Verster alleged a "strategic communication operation" known as a Stratcom had been developed to discredit the CCB. Stratcom involved the deliberate creation of a certain milieu and the influencing of public opinion through selective disclosures to the media and other means.

Verster told the inquest into the May 1 1989 murder of Wits University academic and anti-apartheid campaigner David Webster he could not say if Stratcom had the blessing of government, but according to information available to him certain senior Minsters had been involved. Verster named Minister of Justice Kobie Coetsee, former Minister of Defence Gen Magnus Malan and former Minister of Finance Barend du Plessis.

Verster said former MI chief Gen Rudolph "Witkop" Badenhorst had also been involved in the project.

Badenhorst headed an internal investigation into the Webster killing in January 1990.

Verster said Badenhorst and former head of security police Gen Basie Smit worked together to make CCB members "fall guys".

Verster also alleged that people as senior as SADF head Gen Jannie Geldenhuys and then head of special forces Gen Kat Liebenberg not only knew about the creation of the CCB, but would have had to authorise it.

He said he was unable to say whether Malan would have known, but said he had access to documentation about its 1986 creation.

It emerged during cross-examination of Verster that he had written a letter to President F W de Klerk in May this year alleging that during the Harms Commission of Inquiry into politically motivated crimes, then CCB chairman Gen Eddie Webb gave orders that certain documentation and CCB files be destroyed. Verster said none of the files had anything to do with the Webster incident.

Portions of the letter were read into the record.

The inquest was adjourned on Thursday until January when closing argument will be heard. Further transcripts of Verster's evidence have yet to be made public. — Sapa.

TOURISM Minister

Allgro assets 7/12/91

European coal buyers push SA producers for price cuts

Bdm 7/12/92

JONO WATERS

LOCAL coal producers have come under increased pressure as European buyers lean on them to accept substantial price cuts for 1993 exports. But marketing directors are reluctant to discuss likely price reductions.

Price negotiations, the coal owners claim, are confidential. However, market sources expect the average export price of a ton of coal could be as much as $6 less in 1993 than in 1992. This implies decline in export earnings of about $300m, or 20% of 1992's dollar total, if other world buyers squeeze the SA producers as mercilessly as the Europeans.

The rand's persistent decline against the dollar is expected to help sustain rand revenues, but not to protect them completely. Last week's announcement of retrenchments and a halving of production at Ermelo, a colliery owned jointly by Total and Trans-Natal, underscored the extent of the pressures.

One SA marketing director said 1993 FOB prices were between 5% and 10% lower than in 1992 in dollar terms. He believed that despite the fall in the rand, the rand value received by SA coal exporters would be lower in the coming year.

He added that European utilities were at present buying more spot coal and less on contract.

US market sources said major SA producers were being offered lower prices by European utilities and one company had dropped its price for 6 000 kcal/kg to below $30/t FOB.

Reports say the Europeans have targeted South Africans first because they are in the weakest position. If SA prices can be forced down from just more than $30/t FOB Richards Bay to $25/t, market strategists believe attention will then be turned to Colombia and Venezuela, perceived to be the next weakest.

But while most SA exporters agree 1993 will be very difficult, one cheerfully says prices will be higher next year. Italian-owned Agipcoal MD Johan Jooste-Jacobs said his company was in the process of finalising its first long-term contract and that the price was "significantly higher" than $30/t. There had been a slight reduction in the contract price, but that was dictated by the market. "My view of the market is that conditions are a lot better than anticipated."

Traders, who were reluctant to be named, wondered whether Agipcoal was able to negotiate such an attractive price because it had preferential access to the Italian market. Enel, the Italian state electricity utility was, apparently, recently offered SA coal at $25/t FOB Richards Bay. Duiker is said to be the most aggressive price cutter.

Anglo American Coal Corporation (Amcoal) MD James Campbell said his group had not accepted prices around $25/t FOB for 1993 contract. Amcoal had concluded prices with some regular customers and in some cases the prices had been lower, but the prices were confidential.

However, as far as he knew, SA producers had not accepted lower prices as none had been put on the table by the major buyers.

Trans-Natal director Bobby Jurd said his corporation had concluded a number of contracts for next year — some were rollover agreements and some had lower prices. Trading and price setting, he said, reflected the extremely competitive environment which had developed because of the state of the economies of the industrialised countries. "1993 will be an extremely difficult year."

Lower prices were prevalent among all producers and not just SA exporters, but price trends would become clear only in February when most of 1993's contracts would have been finalised. "You cannot look at the prices offered by one company as being indicative of those negotiated by all exporters," Jurd added.

Randcoal marketing director Robin Turner said the market was weak and prices had come under pressure, but he would not say whether the group had accepted lower prices. He added that he had seen Enel officials in Rome earlier this week but that the Italian utility had accepted no coal prices for the coming year.

Riccia makes its debut on JSE today

Bdm 7/12/92.

ROBERT WICKS

RICCIA Property Holdings makes its debut on the JSE today with separate listings of more than 36-million shares in the property and property loan stock sectors.

Riccia owns a selected portfolio of newly built prime commercial properties with a value of about R146m.

The overall effect of the dual structure means income in Riccia loan stock would be comparable with income received had Riccia been a property unit trust.

The capital structure comprises a combination of 10-million ordinary shares of 10c each listed in the property sector and 24 197 479 unsecured, subordinated, variable rate debentures of 500c each issued at staggered premiums in the property loan stock sector.

Directors put the expected internal rate of return on the property portfolio during the next 10 years at 22,92%.

Riccia director Venter Odendaal said the portfolio was assembled to fill a specific niche in the property investment market.

Future debentures will also be issued at variable premiums so as not to dilute the income and capital growth enjoyed by existing debenture holders.

"All properties are located in high growth areas adjoining major metropolitan centres and feature quality low-maintenance design and construction," he said.

The reason for the separate listings is that the ordinary shares will be classified as equity in terms of the prudential investment guidelines which would provide little interest to the institutional investor.

Odendaal said the primary distinction within the listing was that Riccia would be liable to pay income tax on income not paid out to investors by way of debenture interest.

"Given the relatively small proportion of total income affected, we feel the operating flexibility afforded as a result of this structure outweighs the effective cost of the additional income tax payable," he said.

The debentures will be classified as 100% property loan stock, distributing its entire income to unitholders annually.

"Riccia's flexible structure should enable management to acquire additional properties at attractive yields, enhancing the overall profitability and value of the company," Odendaal said.

Properties in 1993 will be located in Midrand 72% (65%), Witbank 11% (11%), Sandton 9% (9%), Brits 3% (5%) and Nelspruit 5% (10%).

R200-m housing deal

STAR 7/12/92.

(SS)

The Islamic Bank is to establish a R200 million multi-racial housing estate in Ormonde Valley, southwest of Johannesburg, it was announced yesterday.

The major new property development would take place on 86 hectares of land bought for R25 million from Rand Mines Properties — the largest single property transaction undertaken by RMP in its 25-year history, said managing director Colin Steyn.

The deal was signed by Steyn and Islamic Bank chief executive Ebrahim Kharsany.

The land covers 554 residential erven spread over seven parkland townships.

The project starts in early 1993 when the first serviced township is proclaimed.

Construction work will then begin on the first of about 550 single-unit houses and about 350 cluster homes and townhouses.

The development is aimed at the middle-to upper-class residential market and is only six kilometres from Johannesburg's central business district.

"The new housing development will be open to anybody and the Islamic Bank will assist those who want to live there," said Kharsany.

He said the project represented a prime example of an inter-racial, post-apartheid partnership and was a clear show of faith by Islamic Bank in SA's future growth and stability.

Steyn said the development underlined RMP's committed participation in urbanisation.

"This project illustrates the key role that RMP is also playing, and will continue to play, in the provision of housing close to the Johannesburg CBD," he said.

RMP has previously sold land for residential development to Islamic Bank and, taking into account other planned land purchases soon, the bank's total investment in RMP land could soon total about R30 million, Steyn said. — Sapa.

Absa 'may lose R250m on TGH'

BIDAY 7/12/92. (58)

LINDA ENSOR

CAPE TOWN — Sources close to the liquidation of Tollgate Holdings (TGH) suggested at the weekend that Absa might have to write off as much as R250m of its R305m loan to the provisionally liquidated company.

But an Absa spokesman said it was premature to speculate on a figure as much would depend on the prices fetched on liquidation.

TGH chairman Julian Askin said that if the bank had accepted the group's reconstruction proposals rather than taking the "totally unnecessary" action of applying for provisional liquidation, then no write-offs would have had to be made.

Regarding a report yesterday that Absa was investigating TGH's sale of Motor Racing Enterprises to former TGH director Merwyn Key, Askin said the deal was a proper commercial, "arm's length" transaction which had been approved by Absa.

The deal had served to reduce debt and generate real cash flow at a time when TGH had been threatened by a lack of sponsorships after government withdrew tax concessions. "The allegations of undue preference are absolute nonsense," Askin said.

TGH director Lawrie Macintosh said Absa's court action had taken the directors totally by surprise as they were busy negotiating a debt reconstruction package and were awaiting a response from Absa.

It was apparently when Askin was forewarned about the planned attempt by Absa to gain possession of the group's main operating subsidiaries, that TGH made the pre-emptive application, in the interests of all creditors, for the provisional liquidation orders on the subsidiaries.

Sources suggested that creditors and shareholders could not hope for large payouts from the liquidation, given the fact that TGH's liabilities exceeded its assets by R134m; that prices fetched for the sale of operating subsidiaries under liquidation would be lower than normal; and that the sales would take place in a recessionary environment in which businessmen were reluctant to invest.

Macintosh felt that the main Tollgate operating subsidiaries — Motorvia, Entercor, Greyhound Coach Lines and Quicksilver — should be allowed to continue operating, at least until an economic upturn, when good prices could be fetched for them. The sale of the four companies in the right circumstances would offset a substantial part of Absa's R305m debt, Macintosh said.

He said they were sound, well-managed businesses but the taint of a provisional liquidation would make suppliers and consumers nervous and the businesses would fetch much less than they were worth.

Macintosh still held out the hope that Absa and TGH directors could work out a solution which would be in the interests of creditors, shareholders and staff. Despite the public statement by Absa that no salvage deal was possible, Macintosh believed an attempt should at least be made to find one.

He estimated there were about 3 000 people employed by the group whose jobs would be jeopardised by a liquidation, apart from the spinoff effects of such an event.

Meanwhile, speculation — denied by Absa — mounted as to the behind-the-scenes machinations which led to Absa's altered view of its TGH liability. Some sources said that with the Absa-Bankorp merger, control of the TGH account had passed from Senbank executives to Volkskas men.

The move against TGH was seen as part of a fierce political battle taking place within the Absa group between its the Trust Bank and Volkskas contingents.

● Comment, Page 6

MONEY MARKETS by Hilary Gush

Call rates come off as shortage eases to previous week's level

BIDAY 7/12/92 (58)

CALL rates came off last week as the money market shortage eased R1bn to R2,677bn on Wednesday after a hike of the same magnitude the week before.

From an average 12,75% at month-end, calls fell to about 12% by Friday. By Thursday, however, liquidity had tightened, with the shortage up at R3,078bn. Unless it falls back below R3bn this week, calls are unlikely to ease much for the rest of the month.

There are many reasons for improved liquidity. As about half of issued Eskom stock is believed to be held offshore, the November 30 payment on the maturing E164 bond would not have lowered the shortage, but rather would have put pressure on local liquidity as cash was withdrawn to repay foreign holders of the parastatal's stock.

However, coupon payments on government stock and beginning of the month government disbursements to the homelands more than offset the outflow.

The average rate on the weekly three-month treasury bill (TB) tender moved up to 11,86% from Friday's 11,78%, with bids totalling R387m received for the R200m on offer.

After the higher rate, dealers were pondering whether it was the right time for an upward correction in other rates on the money market.

Though December is traditionally a quiet month in the market, dealers said demand for money market assets was particularly poor last week.

As bears have taken to the fore on the gilts floor, it is doubtful that investors' cash is flowing there. The recent strength of the equity market may, however, suggest that money is being invested on the JSE.

Last week the average rate in the market on the 90-day liquid BA was 11,9%, but traders expect it to move up to 12% early this week on the back of the higher TB rate.

In thin, quiet trade on Friday gilts rates kicked up as fears of an oversupply of capital market instruments mounted, and big players closed their books for the year.

Near the session's end the yield on the R150 was at about 14,84% from 14,57% the week before.

Government financing of the deficit — expected to be through the capital market — and more corporate bond issues after the good reception to Tuesday's R1bn SAB issue have fuelled bearish sentiment.

Pressure mounts to do away with the financial rand

STAR 8/12/92

By Sven Lünsche

With pressure mounting on the authorities to scrap the dual exchange rate system, SA's full readmission to IMF facilities could play a crucial role in phasing out the financial rand.

Finance Minister Derek Keys has taken some of the pressure of the finrand by limiting access to the currency by local companies making off-shore acquisitions, which had pushed its discount to the commercial rand to a record 40 percent.

Since then the finrand has strengthened — from over 5 to the US dollar to yesterday's level of 4,67 — and the discount narrowed to 35,9 percent.

Nevertheless, the volatility of the finrand over the past few weeks has led economists to suggest a number of alternative ways of phasing out the dual exchange rate system.

In its latest edition, the SA Banker suggests three possible strategies:

- The first ties the removal of the finrand to renewed access to IMF facilities, which would provide a back-up facility of R16 billion and restore SA's creditor status among foreign banks.

The process would be slow and ~~involve~~ two ~~phases, the~~ first being characterised by a narrowing of the discount as a result of increased foreign interest in SA investments.

The second phase could involve intervention by the Reserve Bank to narrow the discount to a point where the finrand, and probably the debt standstill arrangements, could be abolished altogether.

"This could materialise once it became clear that the conversion of standstill loans into finrands would be manageable and the indications were that capital outflows from this source would be limited in the event of the introduction of a unitary rand," the SA Banker says.

- A more radical approach would be for SA to raise as much as $3 billion from foreign banks in short-term credit facilities.

Once these credits were raised, both the debt standstill arrangements and the financial rand system could be abolished and the credit facilities used to finance any short-term capital outflows that would inevitably follow

- The finrand could also be dismantled, in line with the renegotiation of the third debt standstill arrangment, which falls due at the end of next year.

Foreign banks would need to agree to a final debt arrangement amortising all the remaining foreign debt caught in the standstill net. The finrand system could subsequently be scrapped, particularly if the discount was low.

Phasing out the finrand under all three strategies contains many risks, particularly since the political situation is likely to remain volatile, which could lead to sudden large capital outflows.

Furthermore, the prospect of a unified rand settling at well below the current rate of the commercial rand could have highly inflationary consequences.

Yet the recent volatility of the finrand should at least suggest to the authorities that a rethink of the whole exchange rate environment has become essential.

Econometrix wrote in a recent release that the abolition of the finrand and lifting exchange control regulations would be an expression by the Government of its confidence in the economic future of the country.

"Foreign investors in SA's financial markets have been badly burnt by the finrand's collapse, and it is doubtful whether they will return to SA in a hurry, despite the large discount," Econometrix said.

Rabie coping with recession

DUMA GQUBULE S8

PROPERTY developer Rabie Investment Holdings' operations have adapted effectively to the challenges of recession, says chairman John Rabie. BDAY

He said in the annual report the group's tight structure and the combination of present projects and development opportunities secured in the residential and commercial/retail sectors constituted a sound base for continued improvement in performance.

Rabie Holdings returned to profitability in the year to June after a decision to withdraw from the "risky" black housing market. The group, previously one of the biggest players in the market, reported attributable earnings of R518 000, compared with a loss of R7,4m the previous year.

Rabie said the improvement had been achieved by a refocus of traditional activity. 8/12/92

He said the Kwikspace pre-built accommodation business had continued to focus on creating a market for its products in the shelter housing sector, where the need was for homes costing less than R10 000. The company had also made a successful move into exports to sub-Saharan Africa.

He said the group's new activity — in sectional title and commercial and industrial property markets — was complementary to the main thrust of the company, which was designing, developing and marketing exclusive residential properties.

The group had traded beyond expectations in this area, in a difficult economic climate.

Major contributions to this trend had been a R100m Dolphin Beach development on the northern shores of Table Bay and others in Ocean Village, Hout Bay and Constantia.

Ovbel delays properties' sale

LINDA ENSOR (58)

CAPE TOWN — Property developer Ovbel Holdings was considering the distribution of its R20m rent-producing property portfolio to its shareholders at market-related values in the form of a specie dividend, chairman Andrew Ovenstone said yesterday on the release of the group's interim results to end-September.

The decision to delay the sale of the portfolio pending a decision on its distribution, together with the severe recession in the property development industry, meant that Ovbel was just able to break even during the six months. Earnings dropped to 0,8c (6,3c) and no interim dividend was declared.

Turnover slid 57% to R11,4m (R26,2m) — the lowest level in the group's history — and operating income by 29% to R4m (R5,7m). Because the completed portfolio was not sold, borrowings rose, interest was capitalised and finance charges rose sharply. BDM

Interest dragged pre-tax income down to R852 000 (R3,9m) on a sharp rise in total borrowings to R40,8m (R24,4m). 8/12/92.

"We believe that a distribution would be more beneficial to shareholders in the medium term than an outright sale," Ovenstone said, adding that a decision was likely before the end of January.

He said the merger of Ovland and Bellandia was now complete and the savings in staff and overhead costs would be felt in future. During the interim period the coastal development activities continued to do well in all sectors.

He hoped the second half would be better than the first half, but said the reduction in overdraft and home loan rates did not signal an imminent recovery in the property development industry.

High property vacancies hold back Growthpoint

PETER GALLI

GROWTHPOINT Properties has posted a 14% drop in income a unit to 58,5c in the year to end-October from 68c in the previous period.

While turnover rose 19,5% to R22,15m (from R18,53m previously), net income fell 14% to R14,81m (R17,22m).

Group property manager Jeffrey Sher said turnover had increased as a result of rents from a new building bought in the previous financial year.

In the previous reporting period only one month's rent had accrued, he said.

"Net income fell as a result of our rising vacancy factor over the past six months.

"Vacancies now stand at 11,24% of our total 104 000m² nationwide commercial and industrial portfolio from 3,47% in 1991," he said.

A large portion of these vacancies had arisen from the Allied Bank vacating its premises as part of the rationalisation within the Absa banking group.

Present market conditions were making it difficult for Growthpoint to relet Allied's former premises, he said.

Debenture interest of R14,78m was paid out (R17,18m) and R15 000 (R17 000) was allocated for dividends, leaving R8 000 (R17 000) as retained earnings.

The group has changed its financial year-end to March and the financial period will be 17 months to March 1993.

Sher said the results for the next five months were expected to be in line, on a pro-rata basis, with those achieved for the past year.

"There is no real good news on the horizon and I expect little change in the market before March 1994," he said.

"We have also increased our provisions for doubtful debts by R180 000, which amounts to 23% of our total debtors.

"We have adopted a conservative approach but feel this is necessary."

Growthpoint's share was untraded yesterday. It last traded on November 2 at 480c after dropping to an annnual low of 425c on October 27 from its January 3 high of 575c.

58

BD 2/12/92

Bank beats budget and buoys BoE

BDAY 9/12/92 (58)

LINDA ENSOR

CAPE TOWN — The Board of Executors (BoE) was budgeting for satisfactory income and profit growth this year, chairman Paddy Wilson said at the financial services group's annual meeting yesterday.

In the two months since the end of the 1992 financial year in September, BoE had performed ahead of budget, with the improvement of the JSE making a positive contribution to results.

This year's results would benefit from fees generated by BoE Merchant Bank, the sole SA merchant bank representing the Royal group in its R2,2bn acquisition, along with Anglo American, of the Del Monte foods group.

Cost containment programmes had been instituted and current and capital expenditures had been reduced, eliminated or deferred where no adverse financial consequences were anticipated on the group's future income flow.

Wilson warned of the urgent need for political moderation leading to the establishment of an acceptable form of government if SA was not to continue a slide into "a state of total obscurity, abject poverty and international irrelevance".

It was distressing that the economic and political situation had degenerated.

Wilson said BoE was disappointed that talks with Boland Bank had fallen through.

Other opportunities would continue to be identified with the aim of expanding BoE's operating base and facilitating its entry into the international arena.

Regarding last year's results when BoE notched a 4% rise in diluted earnings a share, Wilson said all divisions, except the property division, had performed satisfactorily.

BoE Merchant Bank in particular had performed exceptionally well and materially exceeded its budget.

"In spite of difficult trading conditions, no bad debts were incurred. "The most stringent level of risk assessment and credit control is in place and is practised," Wilson said.

"The depressed state of the property market took its toll.

"Remedial action, including restructuring within that division was undertaken with consequent realignment of strategies with the major focus now on our successful core syndication business."

Wilson said the Adderley development, in which BoE had R8m tied up, had been shelved due to the poor state of the economy, the volume of available office accommodation and objections lodged by interest groups.

Any major capital programme would be deferred in favour of a minimal upgrading of existing premises.

The project would be reviewed in two years.

In the meantime, an annual after-tax holding cost of R400 000 would be incurred.

Restructured Sage waits for benefits

STAR 10/12/92

By Stephen Cranston (58)

The Sage group, comprising Sage Financial Services and Sage Holdings, achieved earnings per share of 24,8c in the six months to September.

Sage was rationalised into one listed entity from March 31 and results for the period are not directly comparable with those of the former Sage Financial Services.

Chairman Louis Shill says that as the restructuring was only completed on September 21, the group has not yet derived any of the expected benefits which will arise, particularly from the substantial reduction in borrowings and associated costs following the planned disposal of certain non-core investments.

The interim ordinary dividend has been increased by 16,7 percent to 14c a share.

In the case of a former Sage Holdings shareholder, who received 270 Sage group shares for every 100 Sage Holdings, there is an effective 89 percent increase in the interim dividend.

Sage Life continued to make good progress, and its overall performance compares favourably with industry trends.

Sage Life's annualised new premiums rose 47,4 percent to R109,1 million for the six months.

The surplus attributable to Sage Life shareholders increased by 22,7 percent to R13,5 million.

Total premiums received in the review period amounted to R201,9 million — a 32,3 percent increase.

Boland Bank to boost capital with rights issue

By Sven Lünsche S8

Boland Bank has announced a R100 million rights offer to boost its capital base in line with the requirements of the Deposit Taking Institutions (DTI) Act.

The offer will take the form of an issue of cumulative convertible redeemable preference shares, of which half will be compulsory convertible and the balance re deemable at the election of shareholders.

Major shareholders in Boland Bank, holding a combined 60 percent, have agreed to follow their rights, amounting to R60 million.

The shareholders are Sanlam, Rembrandt Group, Christo Wiese, the Mines Pension Fund, Sechold, Momentum Life and Absa.

Absa's participation is critical as it seems to indicate that it has given up on its amibition to incorporate Boland Bank with its other financial institutions.

Rand Merchant Bank has agreed to underwrite the offer.

Explaining the aims of the issue Boland Bank says the DTI Act would require the bank to have a capital base equivalent to eight percent of assets by 1995, which necessitated a capital injection of R100 million to lift the capital base to R250 million.

STAR 10/12/92

Directors

In a further move to address previous grievances by shareholders the number of directors has been increased from 14 to 18 and shareholders' voting rights will reflect the size of their interest in Boland Bank.

● The Board of Executors (BoE) said yesterday that it was still on the takeover trail despite its failed bid for Boland Bank, Tom Hood reports from Cape Town.

BoE chairman Paddy Wilson told shareholders the directors were disappointed that negotiations could not be concluded with Boland Bank but BoE would continue to identify other opportunities.

The board wanted to acquire either a domestic or international fi nancial services related company to expand its operating base or facilitate entry into the international arena.

Serious exploratory discussions were held with the management of Boland Bank and both parties believed considerable merit existed to support an equity participation arrangement.

Explaining the board's decision to shelve the Adderle property syndication project in central Cape Town, Wilson said the company had invested R8 million and the holding costs amounted to an unacceptable R400 000 after interest.

Several development options had been considered and management had decided to defer any major capital programme.

Boland Bank plans R100m rights issue

LINDA ENSOR (58)

CAPE TOWN — Boland Bank is to raise R100m in the first three months of 1993 in a rights issue of preference shares, a move that will ensure its independence as a niche player in the banking sector.

The six major shareholders — Rembrandt, Sanlam, Absa, Momentum Life, the Mine Pensions Fund and Pepkor chairman Christo Wiese, with a joint 60% stake in Boland — will follow their rights at a combined cost of R60m. BDM

The announcement yesterday concludes a battle in the ranks of Boland's shareholders over the future of the bank, at one stage threatened with a takeover by Absa. Boland Bank chairman Pietman Hugo confirmed the bank would not merge with another banking group and would pursue an independent course. 10/12/92

The R100m additional capital will strengthen Boland's capital base to R250m and immediately raise the percentage of its capital to weighted assets to the 8% required of banks by 1995 in terms of the Deposit-Taking Institutions Act.

A Boland Bank spokesman said preference shares had been chosen as they were considered the best option by present shareholders.

Another bone of contention among shareholders, which led to Absa resorting to legal action before Boland's AGM in July, has also been removed by agreement among the major shareholders. Whereas previously the articles of association laid down that a shareholder could have only 1% of the voting rights regardless of the size of his stake, the major shareholders have agreed that in future voting rights will be based on the size of the shareholding. Shareholders will be asked to endorse this and the increase in the number of directors on the board to 18 from 14.

The expansion of the board would ensure greater representation by the major share-

☐ To Page 2

Boland BDM 10/12/92 (58)

☐ From Page 1

holders. Momentum Life chairman Laurie Dippenaar, Rembrandt Group director D M Falck, Gencor director J H Fouche and Sanlam director M G Loubser have been invited to join the board.

This places Boland more firmly under the control of the major shareholders.

Meanwhile, Prima Bank Holdings MD Clive Ferreira said yesterday the bank had increased its primary capital by 60% since June 1992, despite the fact that at end-June the weighted capital ratio of 8,4% was well in excess of the requirements of the Deposit-Taking Institutions Act. This brings the bank's total of primary and secondary capital to well over R20m.

Ferreira said the extra capital would provide the bank with room to grow in future and with greater credibility.

Current shareholders Baker Street Associates had injected R1m while construction group WJM's investment arm had subscribed R5m. WJM group financial director Roland de Vries is to join the Prima board.

COMPANIES

Sage increases dividend 16,7%

ANDREW KRUMM

SAGE group increased its interim dividend 16,7% to 14c (12c) a share on better earnings for the six months to end-September 1992, the board of directors said yesterday.

Earnings attributable to shareholders for the review period amounted to R20,5m (R13,3m), producing a 21% rise in earnings a share of 24,8c (20,5c). BDAY

However, due to the rationalisation of the group's total interests into one listed entity from March 1992, results for the review period were not comparable directly with the interim period to end-September 1991. 10/12/92

The board said for purposes of comparison, the 1991 interim results of Sage Holdings — the group holding company before the restructure — had been adjusted to show earnings and dividends a share on an equivalent basis. (SE)

"On this basis the group has shown an increase of 21% in earnings a share."

Profit before tax was marginally higher at R27,8m (R27,4m), although a much reduced R4,4m (R8,8m) tax bill boosted after-tax profit. As a result total profit after tax was up 20% to R35,2m against R29,3m in the comparable period in 1991.

The board said the interim results did not reflect the benefits of restructuring.

"Although the restructuring was only completed on September 21, and the full benefits will not be experienced during the current year, the group's earnings a share are budgeted to exceed the 51,2c earned in the financial year to March 1992."

Boland Bank plans R250m rights offer

(58) CT 10/12/92

By AUDREY D'ANGELO
Business Editor

THE Boland Bank will remain independent and its capital base will be strengthened by a rights offer to raise between R100m and R250m, the directors announced yesterday.

Their statement ends speculation that the Paarl-based bank — which has been in existence since 1900 and recently announced its 48th consecutive profit increase — would be taken over by a larger group.

Four new directors will be invited to join the board. They are L L Dippenaar, chairman of Momentum Life Assurers; D M Falck, a director of Rembrandt Group; J H Fouche, a director and corporate consultant at Gencor and Sanlam director M G Loubser.

Amalgamated Banks of SA (Absa), with a 10% direct stake in the bank, made an unsuccessful takeover bid earlier this year.

Later Bill McAdam, CE of the Board of Eecutors, told a press conference that negotiations between his group and Boland Bank had been "thwarted by a broadside fired by a group of the bank's shareholders."

Last month Boland Bank announced a 14,4% rise in profits for the six months to September.

In yesterday's statement the directors announced that "a rights issue by way of preference shares is to take place during the first quarter of 1933. Through this rights issue it is envisaged to strengthen the bank's capital base by approximately R100m to R250m."

The statement continues: "The board of directors has further decided to request shareholders to abolish the present limitations on the voting rights and to increase the membership of the bank's board of directors from 14 to 18."

It says the intended rights issue and proposed amendments to the Boland Bank's memorandum and articles of association have the support of directors and shareholders holding more than 60% of the bank's shares."

Pietman Hugo, chairman of the bank, said it would not merge with another group but would "continue its business activities independently.

"At the same time I am looking forward with great expectation to the contributions to be made by the new directors towards the expansion of the bank's market share."

● Meanwhile, Prima Bank Holdings has increased its primary capital by R6m or 60% since June, MD Clive Ferreira said.

He said R1m had come from current shareholders Baker Street Associates and R5m from the investment arm of Cape construction group WJM.

Roland De Vries, group financial director of WJM will join the board of Prima Bank Holdings.

NACASSA SPECIAL *Coffin manufacturing plants one option of generating funds for institution*

Perm's innovative idea

Sowetan 11/12/92

By Mzimkulu Malunga

Burial societies should start their own financial institution to open doors for their members to obtain loans:

BURIAL societies should consider the possibility of establishing their own financial institution in the near future, says SA Perm's marketing manager, Mr Richard Ford.

While societies' members invest huge sums of money in the large financial institutions, their savings do not qualify them for loans individually.

The financial sector has yet to come up with a mechanism which can be employed to use savings generated by burial societies as collateral when an individual member applies for a loan.

Contrary to a popular view in corporate circles, the emergence of the burial society movement was not bridging the gap between the formal and the informal sectors said Ford.

When the notion of black economic empowerment - accompanied by moves to mobilise resources generated by indigenous savings groups - gathered momentum in the latter half of the '80s, big business was swimming in a pool of excitement for two reasons, Ford argued.

Fertile market

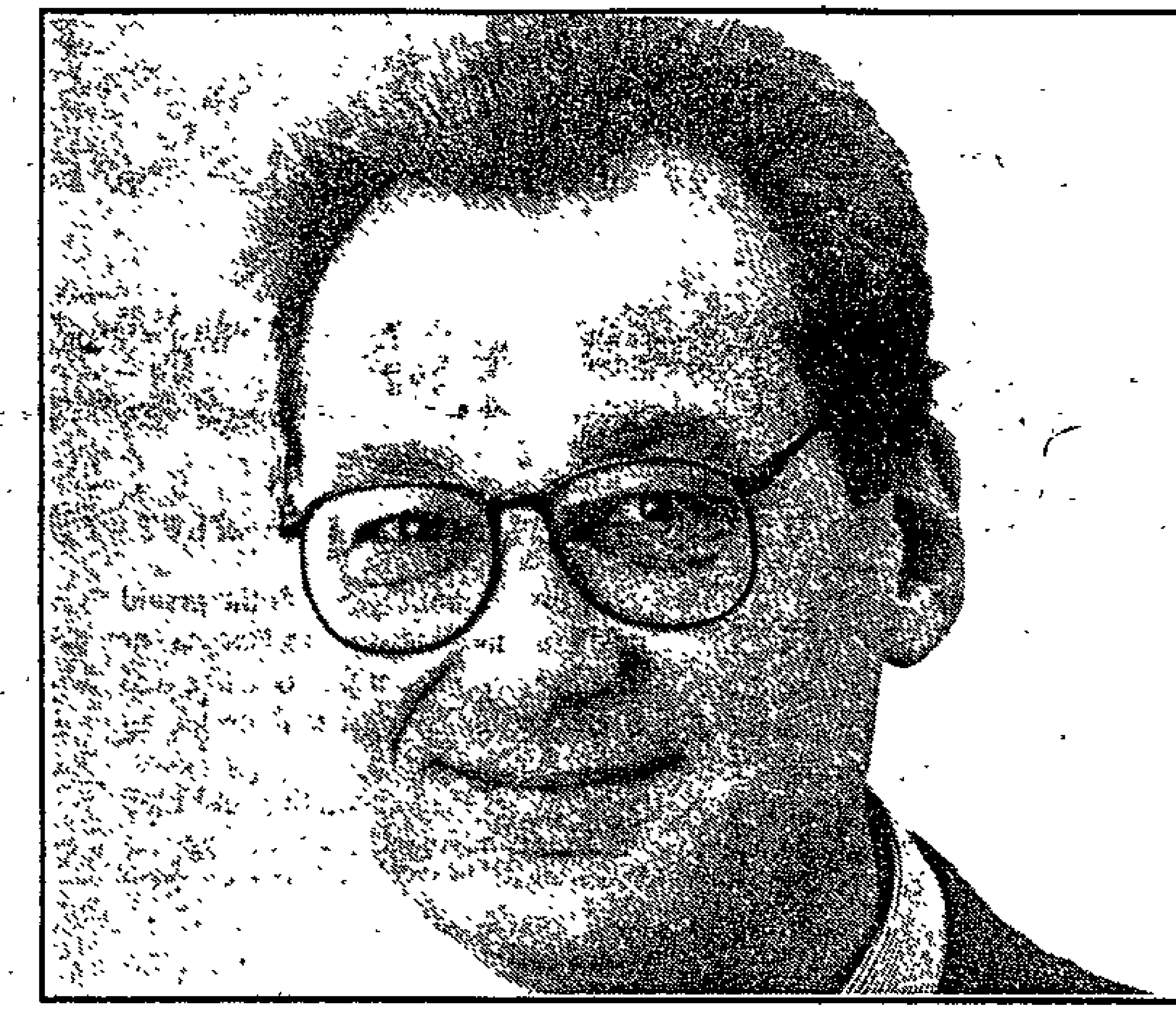
One, it was seen as a fertile market for business. Two, they thought that it could act as a bridge between South Africa's two diverse business sectors, the formal and the informal.

"Corporate South Africa is romanticising ~~about~~ what ~~are~~ merely hand to mouth operations," said Ford.

But what the Centre for Black Economic Development was doing through the Nacssa could change the situation.

While Nacssa was still exploring the feasibility of establishing an independent financial institution, burial societies could invest the money in income generating ventures such as setting up coffin manufacturing plants.

"The setting up of smaller co-operatives which could develop into a bigger national structure, was one of the alternative routes for societies to pursue in the drive to create what many term "the black rand", Ford added.



Richard Ford

NACASSA SPECIAL *Coffin manufacturing plants one option of generating funds for institution*

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■ **Burial societies should start their own financial institution to open doors for their members to obtain loans:**

58

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Richard Ford

ABSA FM 11/12/92 (58)

Badenhorst gets tough

After Piet Liebenberg left Amalgamated Banks of SA (Absa) last month, the group was ready to play hardball with more risk-prone clients.

Even before Absa's interim showed a provision for bad debt nearly double 1991's provision to R420m, the reins had been tightened on Rusfurn. Out went executive chairman Laurie Korsten, a close friend of Liebenberg's, to be replaced by Absa-appointed Keith Jenkins and, on the board, by an Absa team including CE Piet Badenhorst.

Besides being Rusfurn's banker and major lender, Absa also holds most of the equity. This probably saved the furniture group from harsher treatment.

Some analysts saw Absa's bad debt provision as over-conservative. But it included, for the first time, advances from Bankorp. These helped swell Absa's advances from the year-end R42,2bn to R63,8bn and it's no secret that much of the lending was considered higher risk than Absa was comfortable with.

It now seems Absa was making the full provision to clean out its book Events which

Liebenberg ... *too lenient?*

FM 11/12/92 (58)

followed indicate Badenhorst is prepared to take losses from dubious advances on the chin, rescuing what he can and writing off the rest so Absa can get on with more profitable business.

Certainly, Absa moved quickly once its bad debt provision was in place. On Wednesday last week, Tollgate Holdings, which owes Absa about R305m, was placed in provisional liquidation (see *Leaders*). The next day it closed in on its R108m exposure to Bester Homes, putting the property developer into provisional liquidation.

Liebenberg can hardly be held responsible for debt Absa picked up with Bankorp. That's something he inherited, but there was a perception in the market that Liebenberg had a more lenient lending policy than the hard-nosed Badenhorst. He was not expected to remain with the group for long after the merger, as the *FM* predicted at the time.

But his departure meant, for example, that some former Senbank clients came under more critical scrutiny — hence the move on Rusfurn only days after Liebenberg left.

Merging a number of different banks under one roof and then rationalising different policies on advances was a problem for Absa. It was well known that some smaller clients were taking a cavalier attitude towards debt.

The past week can probably be read as Absa firing a warning shot into the market place, rather than an official get-tough policy A lot of CEs have doubtless taken note.

Shaun Harris

Southern sets up income fund

STAR 11/12/92.

Finance Staff (58)

CAPE TOWN — Southern Life is to launch an income unit trust aimed at achieving high income levels as well as capital growth for investors.

The company said yesterday the introduction of the Southern Income Fund would bring the number of funds in its stable to four.

General manager (investments), Carel de Ridder, said the uncertain state of the economy, and more particularly the financial markets, had highlighted the need for an income fund.

"The fund has been on the drawing board for some time and the Registrar of Unit Trusts recently granted Southern a licence to market such a product."

He said the Southern Income Fund would invest in quality, marketable fixed-interest instruments and aim at providing steady income as well as capital growth.

"Investor confidence has been knocked by the collapse of companies which marketed unsecured fixed-interest investments.

"Investors seeking high-income returns with limited exposure to risk should avoid such schemes and rather invest with financial institutions offering products such as income unit trust funds."

Mr de Ridder said the unit trust industry had attracted a net inflow of R754 million in the quarter to end-September.

The launch of the new fund enabled Southern Life to offer clients a balanced range of unit trust products — from the general equity fund and the specialist mining portfolio to the socially responsible Southern Pure Specialist Fund, and now an income fund.

FM 11/12/92 (58)

AVF/AVINS

Suffering from AA Life

Activities: *Holding company conducting life assurance business through 95%-held AA Life and 60%-held Crusader Life.*
Control: *AVF Group 86%.*
Chairman: *C S Menell; MD· D D de Beer.*
Capital structure: *24 1m ords. Market capitalisation: R60,3m.*
Share market: *Price: 25c. 12-month high, 80c; low, 20c. Trading volume last quarter, 863 000 shares.*

Year to Jun 30	†'91	'92
Total assets (Rm)	492	686
Net premium inc (Rm)	246	303
Attributable inc (Rm)	(35,7)	(93,7)
Earnings (c)	*—	(52,4)
Dividends (c)	7,6	—
Net worth (c)	10	(14)

† 18 months. * EPS not calculated as it was not possible to allocate a special provision of R40m between current and prior periods

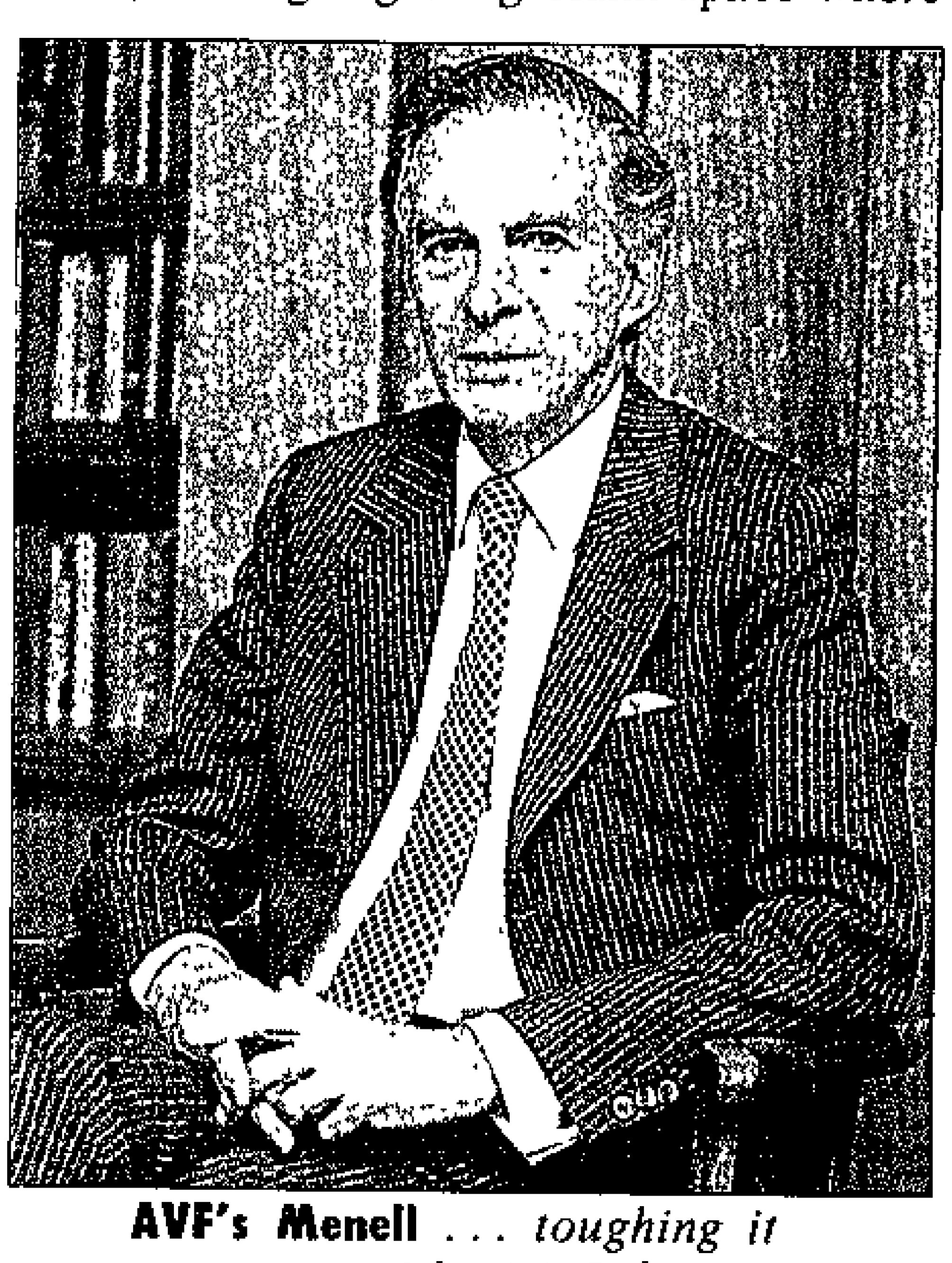
AVF GROUP

Activities: *Holding company with investments in life assurance (Avins 86%) and financial services (Board of Executors 35%).*
Control: *Anglovaal 59%. Ultimate holding company is Anglovaal Holdings.*
Chairman: *C S Menell.*
Capital structure: *129,3m ords. Market capitalisation: R84m.*
Share market: *Price: 65c 12-month high, 1 000c; low, 40c. Trading volume last quarter, 349 000 shares.*

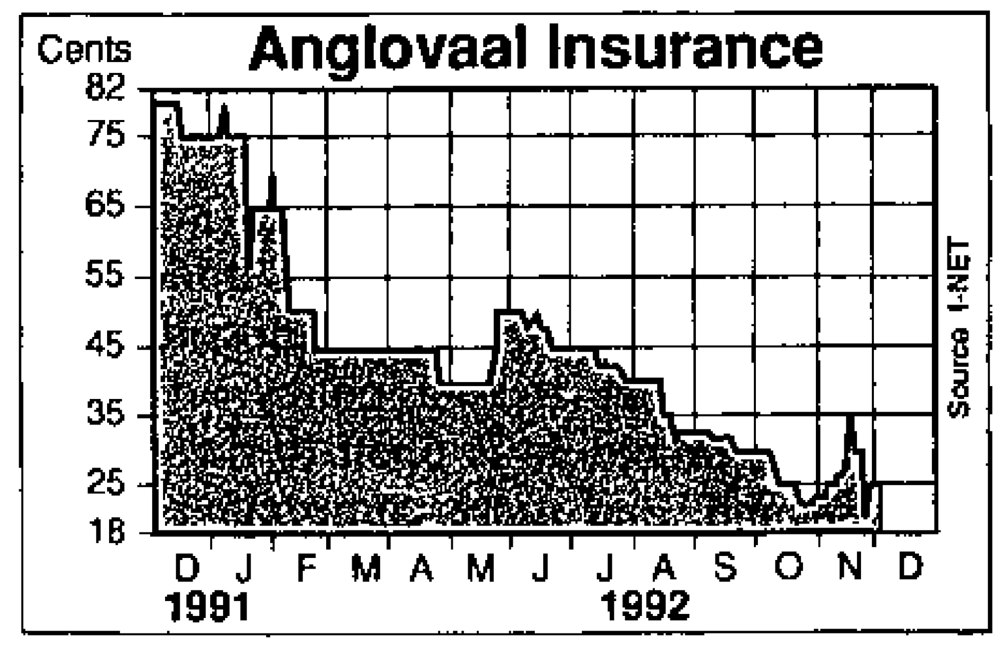
Year to Jun 30	†'91	'92
Pre-tax profit (Rm)	(33,4)	(90,4)
Attributable inc (Rm)	(16,9)	(80,4)
Earnings (c)	*—	(74,1)
Dividends (c)	9,8	—
Net worth (c)	73	(26)

† 14 months * EPS not calculated as it was not possible to allocate a special provision of R40m between current and prior periods.

Unfortunately for Anglovaal's insurance and financial services offspring, Anglovaal Insurance Holdings (Avins) and AVF Group, they appear near the top of the insurance board, leaving a glaring blank space where



AVF's Menell ... *toughing it out with AA Life*



others in this strongly rerated sector display healthy dividend and earnings yields.

How Avins could perform so disappointingly relative to other life offices was explained, in the 1991 financial year, by the poor showing of unlisted 95% subsidiary AA Life, which then needed a R40m transfer from shareholders' funds to bring life funds in line with actuarial liabilities.

The market thought the worst was over and so did parent AVF, which gave the reassurance that Avins was positioned "to report improved results for 1992."

But the past year was even worse and again AA Life is the dead weight. Fellow-subsidiary Crusader Life put in a satisfactory performance (*Companies* November 20), while Board of Executors, AVF's only interest apart from Avins, grew EPS by 4%.

Which leaves AA Life to account for the loss (see table). One effect, which chairman Clive Menell attributes to increased financial and actuarial controls, as well as "new information received", was a R132m transfer to the life fund, R98m of which came from shareholders' funds

Amazingly, this pushed Avins' shareholders' interest to a R33,6m deficit, from 1991's positive R14,2m. With the balance sheet showing an accumulated loss of R137,5m, Avins' NAV becomes a negative 14c.

MD Dave de Beer says that since June shareholders' interest is again positive, with AVF's major shareholders Anglovaal and Absa Merchant Bank subscribing for R35m zero-coupon redeemable prefs in AA Life, returning its shareholders' funds to a positive R6m from a negative R29m.

This suggests that Avins will stick it out and try to return AA Life to profitability, though that's likely to be a long slog. De Beer says he is not unhappy with AA Life and though it won't be an immediate profit generator, hopes it will at least break even by the end of this year. If that happens, both Avins and AVF could resume dividends.

There are other options for AA Life, like merging operations with Crusader, applying for a listing and using the market to recapitalise; or even selling AA Life, if a buyer could be found De Beer won't say if other options are being considered.

But it does seem that most of AA Life's bad business has finally been removed. Two divisions — direct response and telesales — have been closed and the broker division transferred to Crusader.

De Beer says the magnitude of the loss comes in part from under-anticipating the

Continued

FM 11/12/92 (58)

ISOLATING AVINS' LOSS

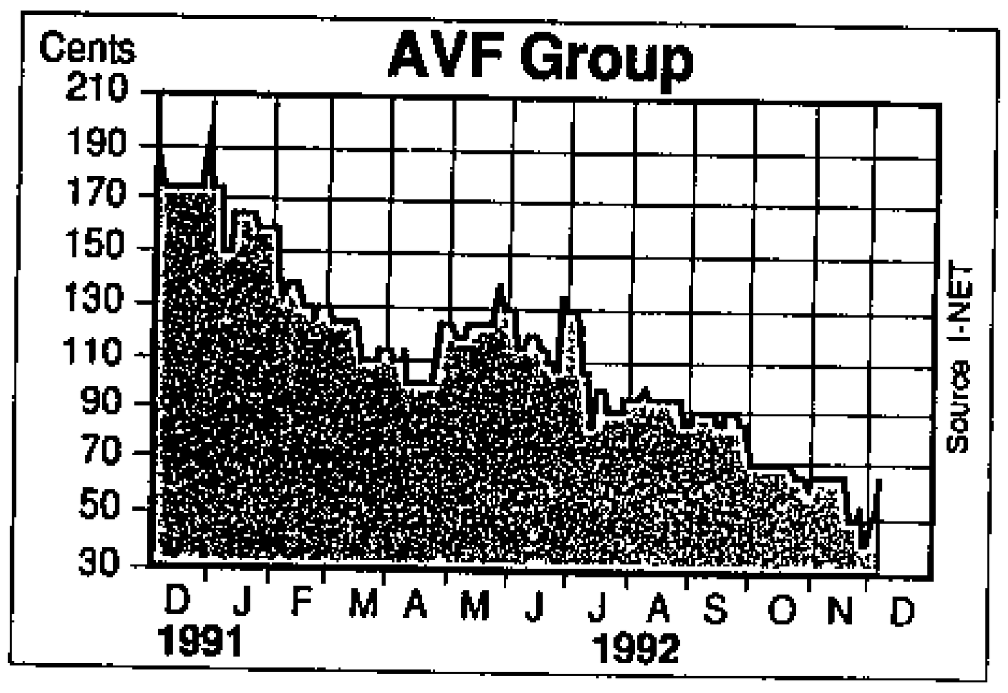
	†'91	'92
Crusader Life	6,1	7,3
AA Life	*(34,8)	*(98,6)
Other	(3,0)	0,7
Avins' pre-tax loss	(31,7)	(90,5)

† 18 months. * Includes material non-recurring items totalling R90,5m in 1992 and R40m in 1991. All figures in Rm.

costs of closing divisions. Besides usual one-off retrenchment costs, there was also a high lapse rate in policies already written.

Investment decisions De Beer says were taken by previous management, as well as Avins' new cautious approach to its life fund, led to a R90,5m provision.

But all is not gloom. After Avins' R46m rights issue in March, cash holdings have nearly trebled to R82m, leaving some flexibility for future investments.



Still, it'll take a lot more than that to convince the market, with the share prices of both Avins and AVF dropping more than 75% this calendar year. Even at these levels there is unlikely to be much interest until management shows it can turn AA Life, or come up with a creative way of removing its negative influence.

Shaun Harris

BANKING FM 11/12/92.

Absa's first branch (58)

The first branch to operate under the Absa Bank colours since the amalgamation of Volkskas, Trust, United, Allied and Bankorp

11/12/92 (58)

will open in the JSE building, Diagonal Street, in March.

Absa marketing executive Gert Dry confirms that the Volkskas branch at the JSE will be renamed Absa Bank. "It will provide a service to corporate clients and not be available for retail banking." He adds that the branch will operate specifically for the JSE and some brokers on the floor. JSE TrustBank branch manager Frik Vermaak has been appointed manager.

TrustBank and Volkskas JSE branches will now fall under the management of the TrustBank Harrison Street and Volkskas Market Street branches. The present JSE premises will be used only as service points to existing clients.

continue

FM 11/12/92 (58)

Dry confirms that Volkskas, Trust, United and Allied will still trade in all other branches under their own names. ■

BOARD OF EXECUTORS

Dashed hopes

FM 11/12/92

(58)

Activities: *Administration of estate, merchant banking and financial services.*
Control: *AVF Group 36%.*
Chairman: *P W Wilson; MD: W J McAdam.*
Capital structure: *12,8m ords, 1,7m convert loan stock ords. Market capitalisation: R121m.*
Share market: *Price: 840c. Yields: 4,8% on dividend; 11,5% on earnings; p:e ratio, 8,6, cover, 2,4. 12-month high, 1 350c; low, 775c. Trading volume last quarter, 56 000 shares*

Year to Sep 30	**'89**	**'90**	**'91**	**'92**
Return on cap (%)	11,8	9,2	11,9	10,6
Pre-int profit (Rm) ...	7,6	10,8	15,5	15,1
Earnings (c)*	53	75	93	97
Dividends (c)	25	32	38	40
Net worth (c)	370	463	660	755

* Fully diluted.

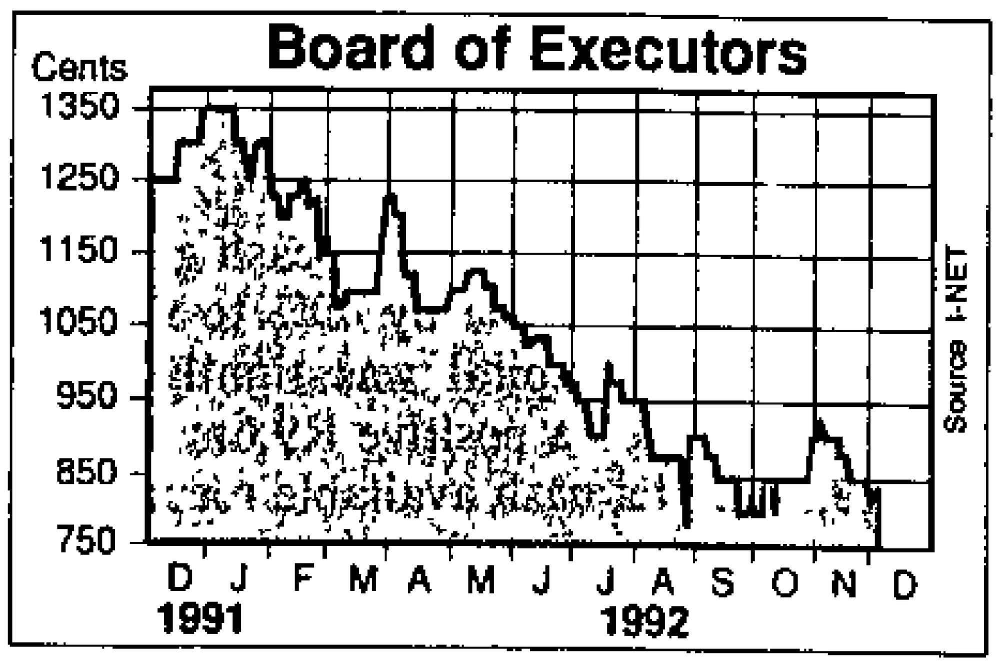
When Board of Executors (BoE)'s 1991 results were commented on, there was every reason to believe that earnings growth in 1992 would continue to exceed the rate of inflation. It did not. EPS, growing only 4,3% fully diluted, fell badly short. Even less encouraging is that operating income before loan stock interest actually declined by 2,7% to R15,1m. What went wrong?

Chairman Paddy Wilson points out that BoE Merchant Bank, BoE Fund Management and the Private Clients division contributed "significantly to the bottom line with results showing an improvement," but the property division suffered from depressed conditions. Clearly, it was largely responsible for eroding the growth in earnings by other departments.

MD Bill McAdam explains it was in the Cape that new property business targets were not met. The Adderley development, delayed because of oversupply of office space and objections against planning permission, was the problem. The Adderley, a sensitive project because it consists of a block contain-

CO ntinue →

FM 11/12/92 (58)



ing architectually importánt old buildings, is plum in the centre of Cape Town CBD, bounded by Adderley, Longmarket and Parliament streets. Revised plans have been prepared but the scheme is not thought feasible until the economy improves.

Meanwhile, McAdam says, the after-tax holding cost of the project will drag earnings down by about R400 000 a year — not all that significant against 1992 attributable earnings of R13,5m. But losses in the property department, together with an unbudgeted tax charge of R699 000 related to the financial services levy in BoE Merchant Bank, had a significant impact on earnings.

Financial 1992 was BoE Merchant Bank's first full year of operation. McAdam says it achieved excellent results, but these are not detailed in the annual report. The bank incurred no bad debts.

Raising the fees

Funds under administration rose to R1,6bn from R1,1bn and resulted in the BoE Fund Management division increasing its contribution to profits.

Total funds under administration rose to R4,7bn from R3,7bn.

Two-year-old BoE Growth Fund has not yet contributed to earnings. The market reckons that a growth fund only becomes profitable when assets reach R100m. BoE Growth attracted a further R29m — slightly under budget — and grew to R66m. The statutory management fee was increased to 0,75% from 0,5%, which should bring the first earnings contribution this year.

The share price has fallen from R14 a year ago. At the current level and yields, it now represents better value only if McAdam's forecast of further earnings growth translates into real rather than nominal growth of fully diluted EPS.

Gerald Hirshon

New Southern unit trust

ANDREW KRUMM 58

SOUTHERN Life would launch an income unit trust to cater to demand for a stable, income-producing investment, Southern Life GM Carel De Ridder said yesterday.

The introduction of the Southern Income Fund on Monday would be Southern's fourth. 8/12/92

De Ridder said the uncertain state of the economy and financial markets had highlighted the need for an income fund that produced a steady income stream — especially popular among older investors. 11/12/92

He said :"The fund has been on the drawing board for two years, and the Registrar of unit trusts only recently granted us a licence to market such a product."

PROPERTY SYNDICATES: *A round-up by Frank Jeans*

Watchdog gets the thumbs-up

STAR 12/12/92

(58)

THE newly launched body aimed at protecting people in the area of property syndication has been welcomed in the marketplace, with top property figures giving full support to the initiative by the South African Property Owners' Association (Sapoa).

So far, 20 members controlling syndications with a total value of more than R1 billion have signed up with the Public Property Syndication Association (PPSA), which will enforce a stringent code of practice and draw up an advertising code against which publicity for syndications will be tested.

Ensures protection

The association will work closely with the Financial Services Board and other regulatory bodies and envisages falling under the proposed Financial Services Act, which is expected to be promulgated next year.

Sapoa and the PPSA emphasise that syndications which are properly structured and managed offer "desirable income-producing, long-term property investments".

The code will ensure protection in regard to trust accounts and the underwriting of new syndications, will enforce full disclosure of schemes and will stipulate that members who launch a syndication must lodge an affidavit signed by an attorney or auditor certifying compliance with the law.

□ The Cape-based Seeff Organisation, which has made big inroads into the Transvaal syndication market, has set its sights on new schemes in 1993.

Piers Relly, marketing manager of Seeff Trust, the syndication arm of the group, says there are plans to put together various syndications in the province as well as the launch early next year of a new product called the Capital Guarantee Fund.

"This project, in association with Simpson McKie and the NBS, has great potential for the investor," says Relly.

Total value of Seeff Trust's syndications launched this year is more than R80 million, bringing the current combined value to R130 million.

A success story for Seeff was the R17,75 million Verwoerdburg Centre — the first Transvaal venture — which was a rapid sellout.

□ The Board of Executors has launched its newest syndication, Board Syndicate 32, one of the first under the scrutiny of PPSA.

The syndicated property is on a prime site at the intersection of Hoofdt and Van Wyk streets in Roodepoort's CBD.

Top neighbours include Sanlam, NBS, the Allied and Woolworths.

Income yield

There are two office blocks linked at ground level and tenants are in the A company grade.

Purchase price, including a working capital reserve of R300 000 is R9,1 million. After all acquisition and other costs, the property is being offered to the public for R10 070 000.

The expected initial income yield is 11,27 percent in the first year, with a projected capital growth of 10,73 percent. The projected income yield based on lease agreements is 16,83 percent a year, with a cumulative capital appreciation of 65,52 percent.

New facet to NBS operation

57m 12/12/92

THE NBS group has set up a financial services and risk management company — an operation independent of the lending institution. Trading is expected to begin in February.

The company, still to be named, is aimed at "contributing to a broader base in the NBS funding requirements".

John Gafney, group managing director of NBS, says: "This new investment will provide a further diversification of earnings and growth that will contribute to performance of the group." (58)

Managing director of the new company is Bill Schother. Executive directors are Dave Barber and Theunis Lategan.

A private display in public

The AGM of the Old Mutual may have resembled an Old Boys' gathering, but when will other members of the institution attend? **LYNDA LOXTON** comments:

South 12/12 – 16/12/92. (58)

THEY came in their shiny Mercedes or slightly more modest sedans and wore grey or blue suits with shiny black shoes. There were a few token women and black men. But an observer may have been forgiven for thinking that the 147th annual general meeting of one of South Africa's biggest financial institutions in Pinelands last week once again highlighted white male dominance of the economy.

That may well be true, but, technically, anyone who has an Old Mutual policy could have attended. However, few policy-holders of any race or gender bother to take up the invitations to the AGM published in the press each year.

This is either because of ignorance (not many people bother to read a "Notice to Members" usually printed on a business page of a newspaper), apathy and inconvenience ("They will do what they want to, no matter whether I am there or not") or prudence ("AGMs are so boring, I don't want to go").

But it could also be for the simple reason that not many South Africans know their rights in any sphere of life, let alone the economic sphere. They do not realise that they have a right to attend the AGM of their mutual society.

Whatever the reason for the mostly white male turn-out, the Old Mutual AGM was very much like an Old Boys' meeting.

Chairman Mr Mike Levett, who has a reputation for starting these meetings on time and making them short and relatively painless, presented the financial statements.

These showed that Old Mutual had had another record year, notching up a 27 percent rise in premium income to R10,2 billion, shelling out more than R27 million to its members each working day and investing some R43 million on the Johannesburg Stock Exchange.

Levett and Sasol chairman Mr Joe Stegmann, who seconded him, also dealt with some issues that would affect Old Mutual management next year. Chief among these were the recommendations of the Jacobs Committee on taxing pension fund contributions, the rapid increase in Aids victims and the effect of continuing political uncertainty on an already weak economy.

● They warned that taxes on pension fund contributions would discourage people from saving. This would not only be disastrous for Old Mutual, but also for the country.

Mike Levett

Stegmann said savings in South Africa had already dropped to "an alarmingly low rate" and any taxes on pension contributions could decrease this further.

● On Aids Levett said urgent action was needed to educate people more about the disease — and warned Old Mutual may have to be tougher on testing people for HIV before issuing policies.

● Concerning the political deadlock, Levett said the economy would not recover and grow until a political settlement was reached. Once that happened, "appropriate economic and social policies" would ensure the release of the considerable economic potential of the country.

When it came to the "other business" part of the AGM, no questions were asked despite Levett having referred briefly to the biggest scandal to rock Old Mutual — the prosecution of the stockbroker who fraudulently used Mutual money to make millions for himself.

But then, maybe, all those present had been told the inside story on that already and were satisfied that Old Mutual would suffer no prejudice.

Security was so tight that when it was all over, the grey suits found themselves locked in the hall where the meeting had been held — and were only released after some frantic signalling to nearby security guards to get the "man with the key".

Nedbank goes East

STimes (Buss) 13/12/92

NEDBANK has concluded a medium- to long-term trade finance agreement with Korea's Export-Import Bank. Nedbank GM Mark Parker says that through this facility Nedbank can help SA buyers of Korean capital equipment obtain finance.

He says a 15% down payment is required and 85% can be repaid over a maximum of 10 years, with the average period being five years, depending on the nature of the goods.

Industrial plant and machinery, iron and steel products, electrical machinery, ships and rolling stock are the types of goods that would qualify for this type of financing. — *I-Net.*

Surge of business in property from private investors

STmn 14/12/92

By Frank Jeans 58

The leasing and sales division of JH Isaacs (Transvaal) has had a surge of business, with deals totalling more than R120 million concluded in the past six months.

Colin Wright, managing director of the division, says almost 40 percent of the transactions involved private investors, with the balance handled by institutions and property funds.

The average value of the investments was about R2 million and deals ranged from R200 000 to R25 million.

Wright says there was a reasonably high level of activity in central Johannesburg, Hillbrow and the northern areas of the city.

"Throughout the period under review retailers maintained a resistance to high rents and, as a result, they seriously looked at smaller space in prime positions," he says.

"Lower rents in retail strip developments created greater demand for space than did shopping malls. Another discernible trend was an uptake of space by banks near or next to major shopping complexes."

JHI foresees rationalisation by the major retail chains and this trend will contribute to near-zero growth in the short to medium term.

Looking ahead, Wright predicts a continuing oversupply of office space in Johannesburg's CBD, especially in B and C grade premises.

Industrial

Commenting on industrial property, Wayne Wright, industrial leasing and sales director of JHI Transvaal, says: "In this, the toughest of recessions in history, we are still able to conclude deals.

"The brokers realise the strength of tenants in this market. However, as we near year-end, leases are expiring, making demand for property for the coming year good."

Opinion divided on bank shares

SHARON WOOD (58)

BANKING shares could reverse their leading position on the investment horizon in the year ahead, with investors swapping out of the overweight sector and into industrial and mining shares as the domestic recession lifts.

However, market opinion on the outlook for the banking sector is divided. Some analysts believe the share prices of the major banks will consolidate after an extremely good year during 1992, while others say there is still room for more banking shares in investors' portfolios and thus upward potential for the banking index.

Martin & Co bank analyst Richard Jesse advises investors to reduce significantly overweight banking sector positions because interest margins have probably peaked. In his quarterly banking analysis, Jesse says bank shares now represent 6,8% of the all share index compared with 4,5% last year. BDAY 14/12/92

However, another analyst believes that, although a time will come to switch out of banking shares, the time has not yet arrived. He still expects the banking sector to slightly outperform the industrial index next year.

There is general consensus that the industry's volumes will be low, and bad debts could remain a problem. Historically, bad debt experience tends to rise as the economy moves out of recession, but analysts point out that the major banks are well-provided for bad debts.

Interest margins are expected to contract slightly.

All the analysts surveyed said the Standard Bank share was over-priced at R77. Nedcor and Absa shares were considered underrated.

ICS keeps focus on added value

BDAY 14/12/92

MARCIA KLEIN

FOOD group ICS Holdings would continue to shift its focus towards added-value, high-margin products which it had already introduced in its dairying, ice cream, poultry and processed food divisions, chairman Robbie Williams said in the group's annual review.

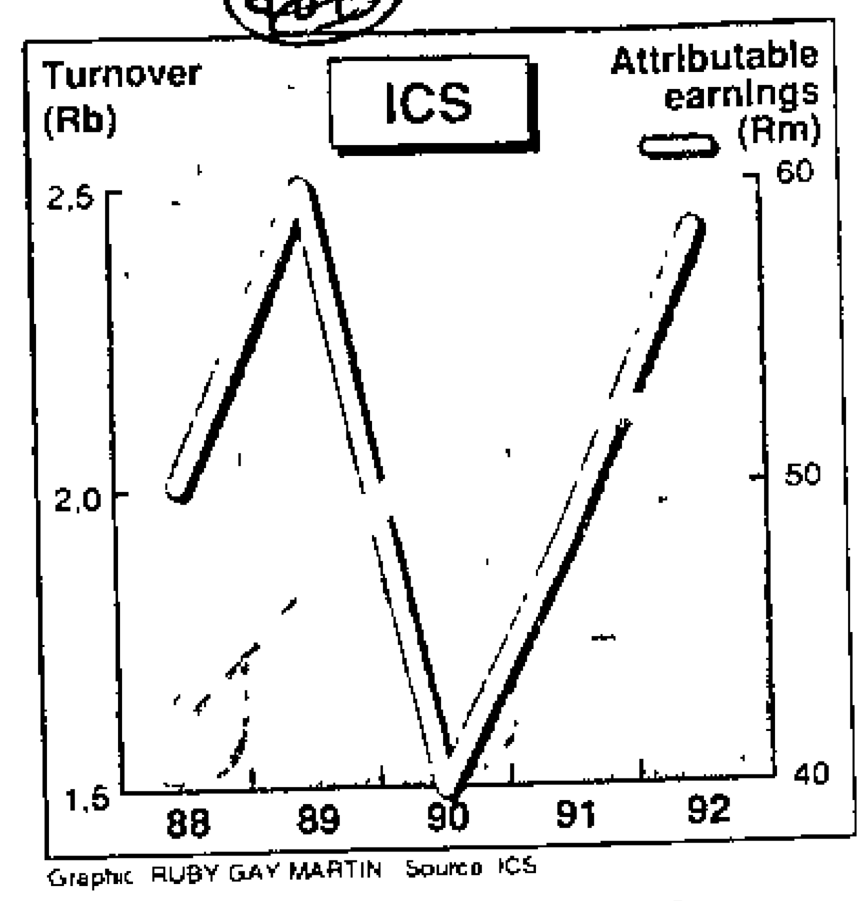
In the year to end-September, improved efficiencies and good performances from associates enabled ICS to report a 23% growth in earnings to 147c a share despite a marginal 2% turnover growth to R2,1bn.

Williams said most divisions experienced a volume decline in food sales, which had accelerated in the second six months. ICS continued to reduce its expense structure and to improve productivity and efficiencies, and this resulted in lower borrowings and gearing of 14%.

Williams said the difficult conditions in the second half had continued into the new year, and protein surpluses were still at high levels due to the decline in demand. But rationalisations over the past two years would contine to show further benefits in the coming year, he said

ICS's major associates — Sea Harvest, Fedics, Bull Brand, Chandling and International and Commercial Cold Storage — made a significant contribution to ICS's profitability. Sea Harvest had performed particularly well, but it was not likely to sustain its level of performance due to declining prices and margins in internatonal white fish markets.

The group's broiler division incurred a loss to end-September, but Williams said its results were better than the previous year. Festive



Graphic RUBY GAY MARTIN Source ICS

Farms would continue to focus on adding value to poultry meat and increasing sales of fresh chicken and frozen products.

Activities in the meat division were affected by the drought and reduced consumer consumption after the introduction of VAT.

Williams said the abolition of the distinction between controlled and uncontrolled areas had facilitated the freer movement of meat and enabled the meat division "to concentrate on the greater utilisation of its own abattoirs" rather than those in controlled areas. But he warned that the proposed meat scheme "has the potential for moving towards greater regulation of the industry".

MD Nick Dennis said there was also concern that Meat Board finance could be used "to fund share applications on a preferential basis".

ICS would continue to address its underperforming assets "and focus on reducing costs and improving efficiencies". The benefits of rationalisation would help ICS towards achieving acceptable earnings over the coming year, Dennis said.

Nedbank seals Korean deal

BIDAY 14/12/92

(58)

SHARON WOOD

NEDBANK has finalised a medium to long-term trade finance agreement with the Export-Import Bank of Korea.

Friday's deal, which came in the wake of recently established diplomatic ties between SA and South Korea, granted finance up to a maximum amount of 85% of the contract value, with a 15% downpayment by the domestic buyer.

The facility finances trade in capital goods for a period of up to 10 years, with an average period of five years, depending on the nature of the goods.

Nedbank international and treasury GM Mark Parker said the normalisation of political relations would undoubtedly lead to increased trade between the two countries. Nedbank was in a position to assist SA buyers of Korean equipment in obtaining finance.

He said industrial plant and machinery, iron and steel products, electrical machinery, ships and rolling stock would qualify for finance.

MONEY MARKETS by Hilary Gush

Three-month paper rises in quiet market

BDM 14/12/92

WHILE the average rate on Reserve Bank Treasury bills has fallen gradually in the past year — in line with easing monetary policy — the rate on the three-month TB has risen in the past month.

The rate on the three-month paper fell from a 16,46% monthly average in November last year to 14,71% in May and 12,18% in November 1992. However, in the uncharacteristically quiet market of the past four weeks rates have come up.

With many players already off on holiday, the average rate on Friday's three-month TB tender was up at 12,07% from the 11,67%, 11,78% and 11,86% posted in the three previous weeks. The rate on the six-month TB was also higher at 11,37% from a previous 11,12%.

Dealers labelled those who successfully tendered at the higher rates as "lucky chancers who relied heavily on the absence of many other players in the market". Lucky indeed.

This uptick in short-term rates is probably temporary as economists who took part in the latest SPL Banking Services Forecast predicted that interest rates would continue to slide in the next year.

From a November basis ~~rate~~ of 11,9% the 90-day liquid BA rate was expected to fall to 11,4% by February and to 10,85% by May. Last week the BA was trading at around 12,15%.

From a 17,25% basis, the prime rate was expected to drop one percentage point to 16,25% by May. By November the rate would be even lower, at 15,25%, they said. This suggests an expected easing of monetary policy and a further drop in the Bank rate early in 1993.

The participants were not so bullish on the outlook for gilts. From an average 14,55% in November, the yield on the E168 was predicted to ebb to 14,40% by February and 14,20% by May.

On Friday the bellwether Eskom stock was trading at a yield of around 14,96%.

The SPL survey was conducted before the SA Breweries R1bn corporate bond issue on December 1 — which is sure to initiate a run of further issues early in the new year. Government is also expected to come to the local capital market to fund the enormous fiscal deficit. This is bound to put upward pressure on gilts rates.

R1 m scam: Lawyers arrested

(58)

ARG 15/12/92

The Argus Correspondent

PRETORIA. — Police investigating the Motor Vehicle Assurance (MVA) scam have arrested two more lawyers and say more may be arrested this week.

The scam, involving hundreds of millions of rands, was uncovered early this year after an investigation by Supreme Court judge Mr Justice Melamet.

Latest to be arrested are Johannesburg attorney Mr Raphael Smith, 61, and his 31-year-old son, David. They have already appeared in court and will appear again on March 15.

A spokesman for the Office for Serious Economic Crimes said they faced fraud charges involving about R1,1 million directly linked to MVA claims.

Three other lawyers and a policeman have also appeared in court over allegations of fraud and bribery concerning MVA claims since the crackdown on lawyers dealing with MVA claims was launched.

They are Mr Morolo Bogoshi, a Pretoria attorney on R300 000 bail who is facing fraud charges involving more than R1,4 million; Mr Cydrick Mhinga, who has been struck off the roll; and Mr D J van Rensburg, who will face fraud charges in the Pretoria Regional Court on January 22.

Warrant Officer J de Bruin recently appeared before a Johannesburg magistrate on bribery and corruption charges.

'Obstacles' to scrapping of finrand

B/DAY 15/12/92

SHARON WOOD

LOW yields on long-term fixed interest stocks are an obstacle to removing the finrand system, the Bank of Lisbon says in its latest Economic Focus.

The bank said fixed interest rate stock rates had fallen in recent months and were now only slightly above the prevailing rate of inflation.

The elimination of the finrand system at a time of low positive or negative real rates of return would probably lead to the drying up of foreign buying of fixed interest stocks and precipitate a net outflow of foreign funds from the market, it said.

In addition, the prospects for a removal of the two-tier exchange rate system were partly dependent on the behaviour of foreign creditors holding standstill loans.

Creditors had the option of switching out of standstill dollars into finrands for investment in SA equities or disinvestment through the finrand market. This would influence the discount's size and the scope for abolishing the system.

SA companies' direct foreign investments were another obstacle to dismantling exchange controls because the sale of finrands for dollars was weakening the rate while contributing to a rise in finrand balances.

Balances had risen considerably in recent years and the bank said this was in conflict with the objectives of the Reserve Bank's intervention in the market. One of the objectives was to buy finrands to reduce the balance.

"This could well contribute towards some decline in the discount on the finrand, which would render it easier to scrap the finrand system."

The Bank of Lisbon said the Bank's decision to slow down its approvals for SA offshore investments could be accompanied by some tightening of foreign investment restrictions.

Another possibility would be to alter the nature of the finrand system by confining access to non-residents.

(58)

Violence boosts Sanlam death claims payouts

(58) ARG 17/12/92

Business Staff

SANLAM paid out nearly 20 000 death claims for about R900 million in its latest financial year — on average about R3,5 million every working day of the year.

The amount is 18 percent more than in the previous year, and the number of claims rose by 8,3 percent, says Chris Swanepoel, Sanlam's chief actuary.

The R900 million is a sizeable amount, but he says it should be seen in the context of a total payout of R5 900 million made to policy-owners and their beneficiaries during the financial year.

Violence in some form or another was the biggest single cause of death claims and the R256,9 million paid out on 4 669 claims represents nearly 30 percent of all Sanlam death claim payments.

The 1990-91 figures were R191,3 million in respect of 3 801 claims.

Vehicle accidents are still claiming many lives, also among Sanlam clients. altogether 2 154 death claims were paid out in 1992 for an amount of R139,9 million — 27,5 percent more than in 1991, when R109,9 million and 1 884 claims were involved.

Heart ailments and other diseases of the body's circulation system formed the major cause of death claims due to illness. The 6 306 payments made for R246,0 million compares with R218,9 million for 5 814 claims in 1991.

Cancer and other tumours (2 504 death claims) resulted in payments of bout R113,7 million in 1992. Last year the figures were 2 350 claims for R88,8 million.

Also high on the list were diseases of the respiratory system, eg asthma, bronchitis and other diseases often linked to the smoking habit.

In this group, claims rose to nearly R1 million a week (R48,7 million in respect of 1 388 claims, against R34,9 million for 1 144 payments the previous year.

Sanlam paid out more than R18 million (638 claims) in the past financial year as a result of diseases of the digestive canal. The previous year it was R15,8 million (493 claims).

Mr Swanepoel says there was a small decrease this year in claims due to drownings: 77 payments in 1991-92 amounting to R3,4 million, against R4,7 million paid in respect of 78 claims the previous year.

FM 18/12/92 (58)

SABLE HOLDINGS (58) FM 18/12/92.

Seeking acquisition

Activities: *Property investment and trading.*
Control: *Netherlands-based Isdale Holdings 68%.*
Chairman: *J Nash; MD: P H Nash.*
Capital structure: *7,5m ords. Market capitalisation: R128m.*
Share market: *Price: R17. Yields: 35,3% on dividend; 9,7% on earnings; p:e ratio, 10,3; cover, 0,3. 12-month high, R16; low, R9,90. Trading volume last quarter, 95 000 shares.*

Year to Jun 30	†'89	'90	'91	'92
ST debt (Rm)	11,0	9,7	13,0	8,9
LT debt (Rm)	12,3	12,2	2,4	2,1
Debt:equity ratio	0,42	0,38	0,12	—
Shareholders' interest	0,46	0,51	0,77	0,52
Int & leasing cover .	4,28	6,82	6,91	—
Return on cap (%) ..	‡19,4	20,3	15,1	9,5
Turnover (Rm)	84,4	93,4	122,3	31,5
Pre-int profit (Rm) ...	20,1	18,9	23,9	13,0
Pre-int margin (%) ..	23,8	20,2	19,5	41,4
Earnings (c)	‡84,5	104,7	135,4	164,5
Dividends (c)	‡30	35	45	*600
Net worth (c)	449	574	1 295	943

† 16-month trading period. * Special dividend.
‡ Annualised.

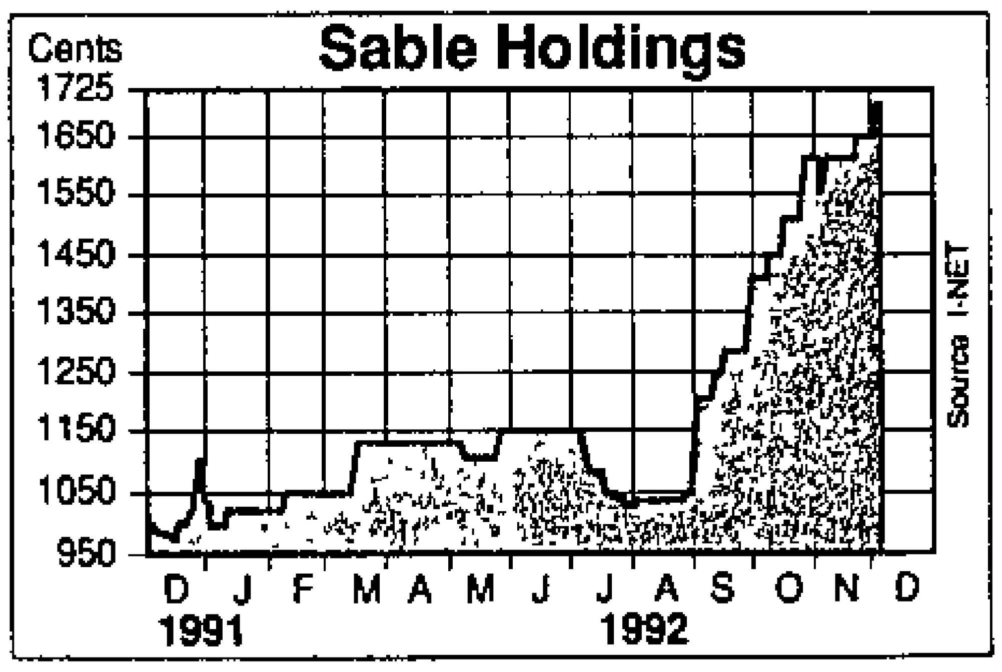
This year, while most building and property development companies pleaded poverty, Sable increased earnings by about 20% and paid R45m — or R6 a share — in dividends. This performance was achieved without any contribution from Steiner Services, which was sold the previous year.

Much of last year was characterised by a high level of liquidity in Sable. Funds of over R50m — remaining from the sale of Steiner — were invested in the money market at favourable rates. Chairman John Nash says these investments are no longer attractive because deposit rates now lag behind inflation. The board decided to pay a R6 dividend to "enable shareholders to re-invest funds to their own particular advantage."

While Sable's assets will drop by 46% after payment of the dividend this month, the balance sheet will remain strong, enabling the company to make a sizeable acquisition, given the opportunity. Sable's management has yet to find an acquisition that satisfies their criteria. Nash is hoping to find one for between R20m and R50m; but it must have solid management.

The property division enjoyed a particularly profitable year, with a 43% contribution to net income. This was earned mainly from sales concluded before December 1991. Since the start of 1992, however, sales volumes have declined due to high bond rates and reduced disposable income. 1993 results will reflect the poor state of the industry in the 1992 year.

The investment portfolio performed consistently. Despite the hardships of some tenants and the aggressive discounting offered by competitors, Sable's overall vacancy factor of 9% remained acceptable.



Sable's record of achieving consistent real growth in earnings has remained intact but profits will naturally decline in line with the smaller asset base. Nash expects profitability ratios will be maintained this year.

The share stands on a 10,3 p:e, reflecting the bullish earnings record and strong balance sheet. It is certainly worth watching.

Kate Rushton

BOLAND BANK FM 18/12/92

Opening the door (58)

Until the middle of this year, Boland Bank's management was answerable to nobody but the board of directors. A clause in its memorandum and articles of association stated that, irrespective of the size of shareholding, each shareholder could only vote a maximum of 1% of the issued shares.

That gave management a free rein to manage almost as they wanted — a rare privilege these days. Only immense pressure of the sort that threatens management with their very existence could make it dismantle that right.

Two factors have persuaded Boland MD Gert Liebenberg and his fellow directors to listen to shareholders and then permanently to change their status in the bank.

The first was the introduction of the Deposit-taking Institutions Act (DTI); the second was an action by Absa to block Boland's plan to increase its capital to conform with the requirements of the DTI.

Under the Act, deposit-taking institutions must have risk-weighted capital:asset ratios of at least 8%. Projections by Boland show it will need additional capital of about R100m to comply. Moreover, the Act requires a 6% ratio from January 1 1993. Boland's ratio at

sec continue

FOX FM 18/12/92. (58.)

September 30 was about 4%.

Just before Boland's AGM in July, Absa — an indirect shareholder in Boland with a strategic holding through Volkskas of about 10% — sought to block the Cape bank's proposal to increase its authorised capital by creation of prefs, only some of which were to be issued immediately. Absa brought an urgent interdict against Boland, which the court postponed as it was not urgent. Liebenberg and his co-directors then withdrew the resolution to extend the bank's capital, recognising the action could be brought later.

That marked the start of a battle behind the scenes to maintain this unusual voting arrangement, fought mainly by Liebenberg. In the end he was forced to capitulate.

Last week's announcement that Boland would hold an issue of prefs was accompanied by the even more significant news that its board would ask shareholders to ratify an amendment to the articles This would effectively terminate all existing limitations on shareholders' voting rights; instead, they will have voting rights in direct proportion to their shareholdings.

Terms of the rights offer to raise about R100m through issue of cumulative convertible redeemable participating prefs have not yet been released.

For years, Boland has not shown real EPS growth Though more than 60% of shareholders have agreed to follow their rights, for the first time the bank will become vulnerable to a predator who can muster the support of enough shareholders to acquire control. One way to stave off that day is for Liebenberg and his collegues to improve the financial performance.

Gerald Hirshon

SASFIN FM 18/12/92

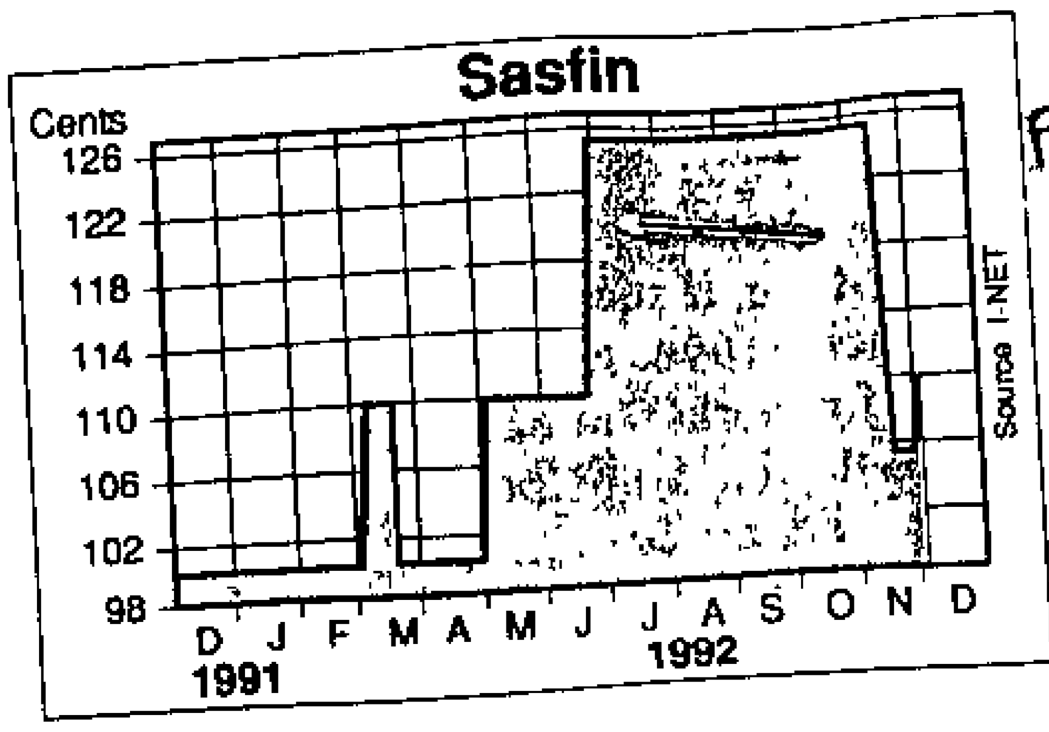
Diverse facilities (58)

Activities: *Specialist financial and related services.*
Control: *Directors 57,4%.*
Chairman: *M B Glatt; MD: R D E B Sassoon.*
Capital structure: *11,3m ords. Market capitalisation: R12,4m.*
Share market: *Price: 110c. Yields: 7,7% on dividend; 19,9% on earnings; p:e ratio, 5,0; cover, 2,6. 12-month high, 125c; low, 100c. Trading volume last quarter, 17 500 shares.*

Year to Jun 30	'89	'90	'91	'92
Receivables (Rm)	14,0	17,1	19,7	27,5
Attributable inc (Rm)	1,6	2,0	2,4	2,5
Debt:equity ratio	2,1	2,1	2,0	2,7
Return on assets (%) .	10,8	11,2	11,8	8,4
Earnings (c)	14,1	17,7	21,3	21,9
Dividends (c)	5	7	8,5	8,5
Net worth (c)	39	51	67	79

Trade and equipment financier Sasfin, through its diversity of finance facilities, was able to lift attributable earnings by a modest 3% in the year to June. Also in its favour is the remarkably low effective tax rate (only 1%, against 2% in 1991), derived equally from export incentives and paying tax in foreign jurisdictions where rates are lower.

Chairman Martin Glatt says Sasfin raised already substantial provisions for bad debts, in line with the rise in credit risks during the recession. This curbed net earnings.



Keeping gearing low gives substantial financial capacity. This was achieved partly by a second securitisation issue of R30m, which allowed Sasfin to fund itself without incurring additional debt on balance sheet.

Activities in neighbouring countries have been difficult, but Glatt says management

will channel its efforts in that direction this year. With a marginal fall in interest rates and a modest return to real growth forecast, Sasfin is well placed to expand further.

Rated on a 7,7% yield and 5,0 p:e (roughly in line with competitors Merhold and GDM), the share is down from a recent high of 125c. There is potential for recovery

Marylou Greig

SAGE GROUP (58) FM 18/12/92

Steady progress

When the *FM* reviewed the reconstructed Sage Group's annual report last month (published late due to the reconstruction), we concluded the valuation was as much a matter of faith as of analysis. The same remains true of interims, with year-on-year comparisons largely meaningless, though a few trends are beginning to emerge.

One is that the new-look Sage, with all businesses now under a single listed vehicle (Sage Group, formerly Sage Financial Services), seems on target to meet its forecast of increasing EPS above the 51,2c posted at the March year-end.

Sage's EPS of 24,8c is nearly halfway there, and with at least some of the benefits of the reconstruction expected to come through now in the form of improved cash flow and the reduction, or elimination, of gearing, it should have little trouble beating the forecast.

Some indication of improved prospects could be extrapolated from the dividend payment of 14c a share, up from the 12c paid last year by what was then Sage Financial Services and in line with chairman and MD Louis Shill's intention to follow a more liberal dividend policy.

Apart from that, investors will have to wait another six months to get a clearer view of how well the reconstruction is working. Little is known about the performance of the property interests, and all that can be gleaned from Sage Group's other pillars — life assurance and financial services — are the results of 51%-held Sage Life.

Those were quite impressive, with total income up 23% to R280m and annualised new business premiums growing by 47% to R109m. Sage Life, with an attributable surplus of R13,5m, accounts for about a third of group attributable earnings of R20,5m.

The share price has climbed convincingly lately to its current R5,60, but investors should probably wait for the full year's results before making a decision. *Shaun Harris*

MASTERBOND: THE CONFIDENCE FACTOR

(58)

FM 18/12/92

The arrest last week of former Masterbond chairman Koos Jonker, MD Johan Brits and director Johan Winckler, while the Nel Commission investigating the group's collapse is still sitting, and before they have had an opportunity to state their case, is regarded as highly unusual.

It is an indication of State prosecutor Pieter Botha's confidence in securing convictions on charges relating to allegations of fraud involving R200m-R300m.

Normally the authorities would have waited for the commission's report and a possible recommendation to prosecute before taking action. But, in a dramatic early morning operation, detectives arrested Jonker and Brits at their homes near Cape Town on Thursday and Winckler at the commission's offices later in the day.

The three appeared in court but no charges were put to them and they were not asked to plead. They were released on bail totalling R850 000, had to surrender their passports and must report to the police three times a week.

The stringent conditions are an effort to prevent them leaving the country, says Botha. The case was postponed to April 15 by which time the commission is expected to have reported.

In evidence to the commission so far, witnesses have detailed alleged systematic irregularities by Masterbond directors and referred repeatedly to the alleged actions as "theft and fraud."

Police investigators say more allegations are expected to emerge before the men go on trial. Botha, who is also leading evidence at the commission, says the total amount involved could be R200m-R300m.

Most of the allegations have centred on the transfer of massive amounts of money between Masterbond companies, lack of adequate records of transactions, the sale of non-existent land and nondisclosure of key information to purchasers. Earlier this month Jonker denied the allegations of fraud and theft and asked for an opportunity to give evidence to the commission to put his side of the story. He and Brits are due to do so in February.

A key issue of the commission's hearings so far remains the extent to which the financial authorities were unwilling or unable to act against the directors. Earlier this month Financial Services Board (FSB) investigators Tommy Pretorius and Sid Miles detailed five separate inspections into the group's affairs between 1985 and 1989.

Irregularities were found on each occasion and some continued even after they were supposedly corrected by the directors.

The irregularities included alleged contraventions of the Financial Institutions Act, the Participation Mortgage Bond Act and the Banks Act and in some cases amounted to theft and fraud, said Pretorius.

At the time of the group's collapse last year Jonker said problems uncovered during FSB investigations had been corrected. He also claimed that the authorities were aware of the group's considerable difficulties shortly before it collapsed.

DTIs FM 18/12/92

Back to banking (58)

Several changes are to be made to deposit-taking legislation next year, including a change of generic for the institutions involved. Since February 1991, banks have been known officially as deposit-taking institutions (DTIs).

However, it signalled a radical change in the financial services industry which allowed banks and the former equity building societies and discount houses to operate within the same legal framework — the DTI Act. Now the term has served its purpose and legislation is being drafted which will remove the triple-barrelled adjective from the statute books.

If the Bill is passed through parliament, all deposit-takers, registered in terms of the Act, will be known as banks.

Also in the legislation will be some important changes affecting monetary policy and banking regulation. The Bill is not yet in its final form but proposals debated by the Reserve Bank and banking sector over the past six months are an indication of what may emerge. They include measures designed to make monetary policy more flexible, improve the quality of banks' risk management and address what merchant banks perceive as a disadvantage.

A position paper circulated by the Bank earlier in the year pointed out that, at present, a potential conflict between monetary policy and prudential needs could arise, if the use of these reserves to meet a liquidity shortfall were contrary to monetary policy.

To distinguish clearly between the Bank's supervisory role and its position as lender of last resort on the one hand and its central

to continue

banking function on the other, the requirement that banks must hold a cash reserve against short-term liabilities is to be removed from the renamed DTI Act and incorporated into the SA Reserve Bank Act

Says the DTI Registrar's office: "There is confusion about the reserve requirement. It is primarily intended as a monetary policy instrument to restrict credit extension. But, as cash is the most liquid of liquid assets, it also serves a prudential purpose." Potential conflicts of interest are now to be removed.

Law

Also being reconsidered is the status of a number of liquid assets. Among them are banker's acceptances, self-liquidating bills and promissory notes. Traditionally, these are based on trade transactions and are, therefore, self-liquidating — when payment for goods takes place. However, in recent years, they have been increasingly issued without an underlying transaction.

At present, all such instruments qualify as liquid assets under the DTI Act, if they have an unexpired maturity of fewer than 91 days. But those discounted by certain DTIs are nevertheless not neccessarily eligible for accommodation from the Bank. In other words, they cannot be presented at the discount window of the central bank. This means they are not truly liquid so their status under the DTI Act is anomalous.

A "buffer stock of truly liquid assets" is proposed, consisting of government, central bank and government-backed debt Other instruments will still qualify as collateral for central bank borrowing but will attract interest rates above the preferential rate.

The measure is not opposed by the banks. Standard Bank's Henry Shaw says: "It is generally acknowledged that there could be different interpretations of the degree of liquidity associated with bankers' acceptances. But the step would narrow liquidity options."

Relative scarcity should not, however, increase costs, says First National Bank's Mike Law, because another proposal is that the liquid asset ratio should be reduced from 20% of short-term liabilities to 12%.

Another important change is that there should be no distinction between rates on overnight borrowing and accommodation at the discount window. Also to be excluded are call loans with the former discount houses. This ends a two-year phasing-out period allowed by the DTI Act, which formally ended the houses' status as conduits of liquidity between the banks and the central bank.

Another proposal is that vault cash should be excluded from the calculation of the minimum reserve balance. Merchant bankers complain that the inclusion of vault cash places them at a competitive disadvantage — that they are carrying the burden of the reserve requirement. The cost of the cash requirement is effectively lower for commercial banks which, by the nature of their business, keep large quantities of cash.

There is a *quid pro quo*: commercial banks would be compensated by the reduction of the reserve balance requirement from 4% to about 2% of adjusted liabilities. So comparative advantage would be eliminated and funding costs of most banks will be lower. ■

IGI Insurance to bail out Abacus minorities

BDAY 18/12/92. (58)

MARCIA KLEIN

IGI Insurance is to bail out minorities of troubled Abacus Industrial Holdings in a move which will see Abacus delist from the JSE.

IGI, which controls Abacus, announced today it would be offering minorities 14c a share "with a view to delisting the over-borrowed company and recapitalising it". Minorities have not received a dividend since 1989.

The offer is twice that of the last traded share price of 7c. The share reached a yearly high of 25c in March and a low of 5c in August.

IGI said Abacus shareholders would be offered IGI shares as an alternative to cash. However, the basis was still to be determined, it said.

In addition, IGI would redeem the Abacus debentures at par of 25c, and would pay interest at 18% for the period from September to the redemption date.

Abacus includes Tempest Radio and Hi-Fi, Bruply Doors and some industrial properties. The company, which was formerly Ed Dutton's Interboard, was "unwillingly" inherited by IGI two years ago "after the Reserve Bank converted 130-million of the 180-million shares in issue into preference shares and redeemed them".

Dutton's shares were redeemed after charges against him.

The reduction in share capital and a rights issue supported by IGI saw it gain control of the company.

Abacus reported an attributable loss of R22,5m in the 13 months to end-March, and a R11,2m loss in the six months to the end of September.

With debt of R58,7m at end-September, its gearing stood at a high 332%.

Corporate adviser Curle Securities said Abacus would need to be completely refinanced. To survive, the additional permanent equity funding needed would have to be several times the market capitalisation of R6m. However, this would make a rights issue impractical, and net worth a share would be "severely diluted".

Operating divisions Bruply Doors and Tempest Radio and Hi-Fi were currently achieving small operating surpluses after showing significant operating losses previously. Interest costs were blamed for keeping "it in loss".

Abacus director Ian Lapping said debt was "the sole cause of present losses, which were reducing net asset value by more than a cent a month".

IGI's "rescue" would enable the companies to trade themselves back to health" once the debt burden became more manageable and the economy improved.

Builder hits roof over interest rates

STAR 19/12/92 (58)

AFTER the rumpus about bank interest rates last year, a company which specialises in analysing them has found that yet another bank has exceeded the limit laid down down by the Usury Act. Police are investigating. JEAN LE MAY reports.

CAPE TOWN — The SAP Commercial Branch is investigating overdraft rates charged by the Bank of Lisbon following a complaint by Philippi, Cape, building constructor Desmond Crowie.

The probe could lead to charges under the Usury Act, said investigating officer Captain Gordon Duguid.

Interest Computation Experts (ICE) of Cape Town, which analysed bank interest rates, found that Bank of Lisbon was charging Crowie much more than the maximum laid down by the Usury Act.

Analysed

Fred Schutte, legal officer for Bank of Lisbon in Johannesburg, refused to comment.

ICE's Leon Cloete confirmed that the company had analysed Crowie's account.

It found that the Bank of Lisbon had charged him up to 34 percent interest on his R400 000 overdraft.

There was a rumpus in the banking industry last year when companies which specialised in checking interest rates said 90 percent of their clients were being overcharged.

All rates are negotiable, but between October 1989 and December 4 this year the highest interest permissible on an overdraft of up to R500 000 was 30 percent.

Since December 4, when changes were gazetted, the highest rate of interest permissible on an overdraft of up to R6 000 has been 32 percent, while from R6 000 to R500 000 it is 27 percent.

There is no limit for interest on amounts of more than R500 000.

Crowie said the Bank of Lisbon had called in his overdraft and sold his house and several of his trucks, which he gave as security for the overdraft, putting him in serious difficulty.

He had arranged for a R400 000 overdraft, equivalent to a month's turnover, with Bank of Lisbon's Mitchell's Plain branch.

When the branch was closed down, Crowie lodged an objection with the bank's head office in Johannesburg, saying it was inconvenient for him to do his banking in Bellville, the site of the bank's only other Peninsula branch.

Support

He also objected to the fact that the agency's staff had been sacked instead of being absorbed elsewhere in the business.

The people of Mitchell's Plain had given the bank good support and "this was all the thanks they got".

He said that soon after his disagreement with the bank on this issue it called in his overdraft.

He had sought the help of a financial services company when it struck him that the bank charges seemed very high, he said.

He was considering a civil action against the bank for a substantial sum in damages.

Closures as NBS ups fees

Star 19/12/92

58

DAVID CANNING

NBS clients closed just less than 10 000 transaction-type accounts as a result of the increase in service charges applied from September.

The increase in fees was part of a move by NBS to focus on its core business — and it says the closures are in line with its projections.

The account closures represent about 5 percent of transaction accounts. Most of the affected clients changed their business to other types of NBS accounts. About 2 percent of affected clients have been totaly lost to the NBS.

Keir Sellar, asssistant general manager, planning, says the NBS "cannot be all things to all men". Long-term success depends on profitability, and all fee structures must be aligned to operating costs.

In terms of its strategic focus, the NBS does not see itself as a transaction-type commercial bank offering a range of cheque facilities. Transaction-type accounts can no longer be subsidised and the basic costs of running them have to be recovered, he says.

From September, NBS applied an account maintenance charge of R5 per month for non-active accounts and a minimum charge of R8 a month for active accounts. Exemptions applied to qualifying pensioners, students, servicemen, welfare bodies and churches.

Police probe overdraft rate charged by bank

JEAN LE MAY
Weekend Argus Reporter

POLICE are investigating overdraft rates charged by the Bank of Lisbon following a complaint by Philippi building constructor Mr Desmond Crowie.

This could lead to charges under the Usury Act, investigating officer Captain Gordon Duguid said.

A Cape Towm company which analyses bank interest rates found that the Bank of Lisbon was charging Mr Crowie much more than the maximum laid down by the Usury Act.

Mr Fred Schutte, legal officer for the Bank of Lisbon in Johannesburg, told Weekend Argus he was not prepared to comment.

Mr Leon Cloete of Interest Computation Experts (ICE) confirmed that the company had analysed Mr Crowie's account. It found that the Bank of Lisbon had charged him up to 34 percent on his R400 000 overdraft.

There was a rumpus last year in the banking industry when companies which specialise in checking interest rates said that 90 percent of their clients were being overcharged.

All rates are negotiable but between October 1989 and December 4 this year the highest permissible interest which may be charged on an overdraft of up to R500 000 was 30 percent.

58

Since December 4, when changes were gazetted, the highest rate which may be charged on an overdraft of up to R6 000 is 32 percent, while from R6 000 to R500 000 it is 27 percent. There is no limit for amounts above R500 000.

ARG 9/12/92

Meanwhile the Bank of Lisbon has called in Mr Crowie's overdraft. It has sold his house and several of his trucks which he gave as security for the overdraft, he said. He was now in serious difficulty.

Mr Crowie told Weekend Argus that he had arranged for a R400 000 overdraft, equivalent to a month's turnover, with the Mitchell's Plain branch of the Bank of Lisbon.

When this branch was closed Mr Crowie objected strenuously to the bank's head office in Johannesburg. It was inconvenient for him to do his banking in Bellville, site of the only other Peninsula branch of the Bank of Lisbon.

He said that shortly after his disagreement with them on this issue the bank called in his overdraft.

He is considering a civil action against the bank for a substantial sum in damages.

NBS acts in home loans war

ARG 19/12/92

58

TOM HOOD
Business Editor

A HOME loans war is forcing NBS to reduce its exposure to the housing market and go for more profitable lines of business such as its new market trading operation.

Competing banks and building societies are giving home loans at below the prime overdraft rate (15 percent), says NBS managing director Mr John Gafney.

"This is obviously a loss leader and we have no intention of taking part in a rates war," he said.

"Home-buyers who take bonds at the lower rates soon find themselves pressured to take out insurance policies or hire-purchase or to open a current account. This is where the profits are made to compensate for the lower bond rates.

"We made a special study with international experts into profitability and cost-effectiveness and we will concentrate on financial services that are likely to grow on these lines."

Mr Gafney, discussing plans with Weekend Argus in Durban, said NBS Holdings was now a bank, not a building society.

It was fiercely proud of its independence and had rejected takeover overtures from First National, Standard and Nedbank.

Though past marketing caused some people to regard NBS as a "bunch of innovative banana boys", the company was undergoing transformation into a national organisation based in Natal.

Seventy percent of lending was now outside Natal and 56 percent of its investments came from outside Natal.

As part of its restructuring to increase fee income, NBS raised service charges from September and as a result customers closed about 10 000 transaction-type accounts.

The account closures represent about five percent of transaction accounts. Most of the affected customers changed their business to other types of NBS accounts. About two percent were lost to the NBS completely.

Mr Keir Dellar, assistant general manager (planning), said the NBS could not be all things to all people. Long-term success depended on profitability, so fee structures had to be aligned to operating costs.

NBS did not see itself as a transaction-type commercial bank offering a range of cheque facilities. Transaction-type acconts could no longer be subsidised and the basic costs of running them had to be recovered.

From September, NBS applied an account maintenance charge of R5 a month for non-active accounts and a minimum charge of R8 a month for active accounts. Exemptions were applied to qualifying pensioners, students, servicemen, welfare organisations and churches.

Earlier this year the NBS launched Project Horizon, a 10-month "operations-effectiveness" drive designed to simplify work processes and improve management structure. The project, launched with overseas consultants, is due for completion next May.

Executive director (finance) Mr Mark Farrer said that with competitive conditions likely to continue to put pressure on margins, NBS had dramatically reduced reliance on "margin" business.

Banks now wary about granting blacks bonds

58

■ **OWNING PROPERTY**

Everything is being done to ensure that people will be able to buy their own homes:

Sowetan 21/12/92

"When you stop building in the townships you are not only denying people the right to own their own homes. You are in fact contributing to the creation of a recessionary gap responsible for the massive unemployment the country is currently experiencing"

By **Joe Mdhlela** Consumer Reporter

THE collapse of local authorities and alleged lawlessness in the townships has resulted in banks being cautious to grant mortgage loans in black areas

This is the view of general manager of the SA Permanent Building Society Mr Denis Creighton

However, Creighton said in an interview with *Sowetan* that the Perm was doing everything in its power to consult civic organisations to try and solve the many problems facing institutions helping black people to own property

"We need to try and develop mechanisms that will encourage blacks to own property in the townships," Creighton said

But issues negating this process included the endemic violence in black townships and the fact that the system of local authority had collapsed

"We have to work hard to normalise the situation in the townships," he said

Caution necessary

Creighton refuted claims there were bond boycotts in black townships, but admitted that the situation had deteriorated to a point where it was necessary to be cautious.

In general banks were granting few bonds to individuals in the townships

Chief executive of Amalgamated Banks of South Africa Mr Archie Hurst said they would like to be of service to all people wanting to own homes, but there were serious problems which made granting loans difficult

He cited the bond boycott suggested by certain civic organisations as an example and the threat of mass action.

"We are willing to do business with township dwellers but the problem is that the situation in these areas is far from normal" There were always risks when loans were made to people "but the risks in the townships are unacceptably high"

"We cannot follow legal provisions when genuine repossessions have to be made," he said.

Senior general manager of Saambou Mr Dawie Botha said his company did not consider skin colour when determining whether or not to grant a bond

He said the criteria the company used was the market, credit worthiness and the location of the property bought.

"We have market segments to identify and this does not take into account colour or creed," said Botha

He said black clientele accounted for 25 to 30 percent market share among blacks throughout the country

As an illustration, Botha said of 69 properties sold in Soweto in August, 13 percent belonged to his company.

They were out to help but were selective and careful in granting loans

The Urban Foundation's Rosie Gordon said the banking institutions were engaged in "a difficult lending market" which made it hard for the banks to access finance to people wishing to own homes.

She said this was in part due to the political instability in the country.

"What is necessary is for the institutions and civic bodies to work together and look at mechanisms that would address these problems," said Gordon

She said it had become difficult to repossess and resell houses in certain black townships

"Because of these reasons and the fact there is political instability in these areas, the financial institutions are reluctant to grant loans," she said

A senior executive of a construction company who wanted to remain anonymous said most banks discriminated against blacks under the guise that townships were "no-go areas"

He said this attitude was not acceptable to his company and had actually contributed to the depressed state of the economy

"When you stop building in the townships you are not only denying people the right to own their own homes You are in fact contributing to the creation of a recessionary gap responsible for the massive unemployment the country is currently experiencing

"This state of affairs is not acceptable and the Government and the Reserve Bank must take up issues with the banks to correct this trend," he said

He said relevant civic bodies would certainly have a case against the banks in a court of law

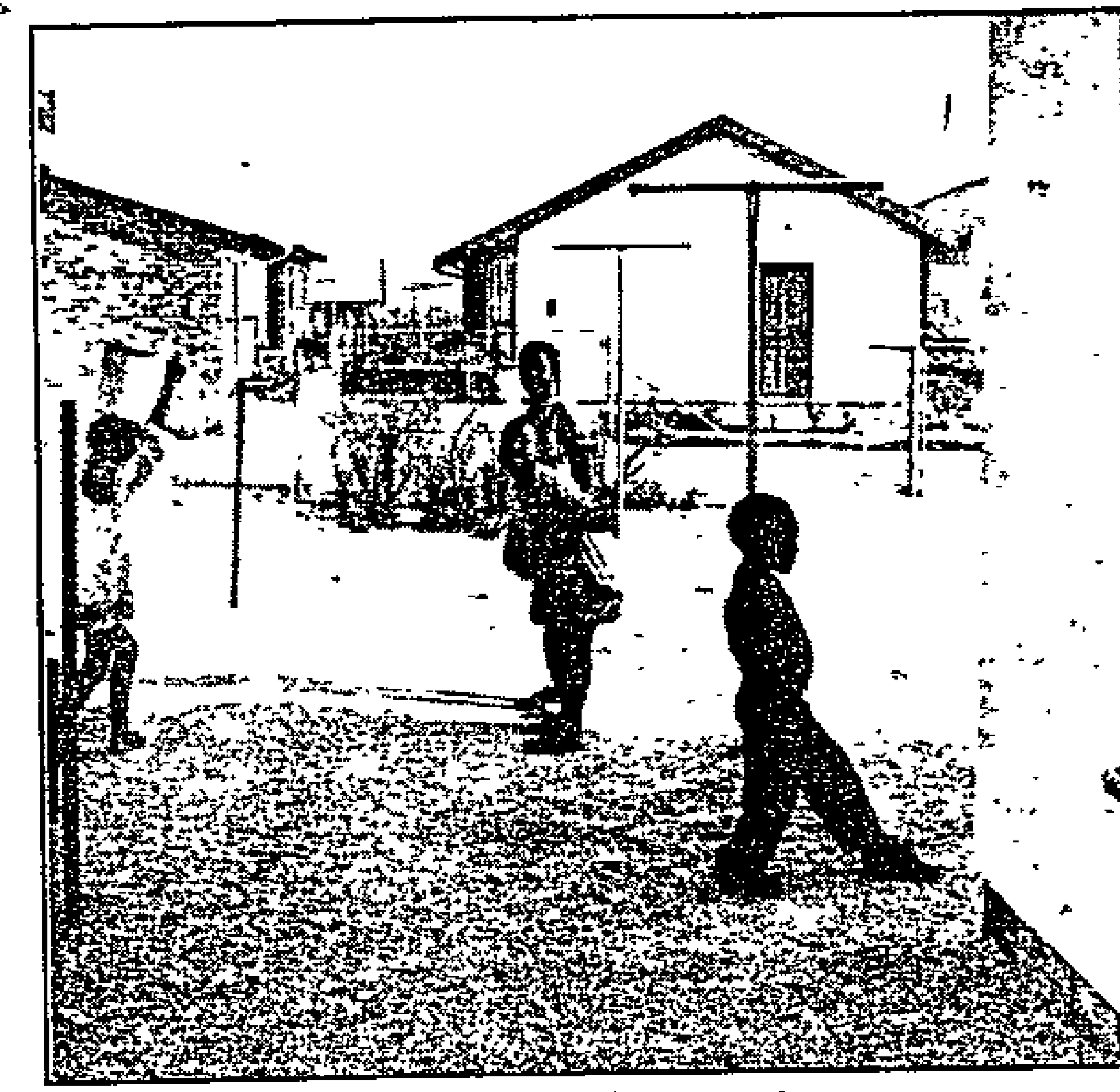
The president of the South African National Civic Organisation, Mr Moses Mayekiso, said the banks perceived the situation in black townships as being volatile. Unemployment and the recession were contributing to this perception.

However, Mayekiso said they had made it clear to the banks that their refusal to grant bonds to blacks was unacceptable.

Mayekiso said he was greatly encouraged by the co-operation his organisation had received from the Perm.

Bonds gone

Reason for refusing to grant bonds: collapse of local authority, endemic violence and political uncertainty.
Environment in black townships has deteriorated.
Perm praised for their enlightened policy.
Perm not aware of any bond boycott.
President of Sanco, Moses Mayekiso, encourages banks to grant bonds to blacks.
Mayekiso denies his organisation ever encouraged bond boycotts



Housing is becoming out of the reach of many people.

MONEY MARKETS by Hilary Gush

Festive spirits dampen activity

AS THE festive spirit gripped the money market last week, activity levels plummeted and rates kept static in their recent trading ranges. BDay 21/12/92.

However, the upward trend in the average rate on the weekly Treasury bill (TB) gathered momentum, with yields moving up 14 and 13 points for the three- and six-month paper respectively.

The three-month TB was undersubscribed, with bids totalling R159,76m received for the R200m on offer. These were allotted at an average 12,21%, from 12,07% the week before. The six-month paper was twice oversubscribed, and issued at 11,5% from a previous 11,37%.

Dealers said cheeky, opportunistic tenderers had taken advantage of the quiet and empty market and had succeeded in achieving higher rates on the Reserve Bank's TBs. (58)

Following normal mid-month inflows — including government salaries — the shortage dipped to R2,992bn on Thursday from R3,147bn on Tuesday. Call rates were little affected, sticking to their recent 11,5% and 12,5% range.

A Christmas buying spree sent the level of notes and coins in circulation up to reach a record R13,3bn on Thursday. The larger the amount of cash in the system and out of the commercial banks' hands, the more pressure there is on liquidity, and therefore on money market rates.

Lower interest rates put pressure on bank margins

BDM 21/12/92 58

DUMA GQUBULE

BANKING margins, which had benefited from high interest rates, were now coming under pressure, Nedcor CE Chris Liebenberg said in the group's 1992 annual review.

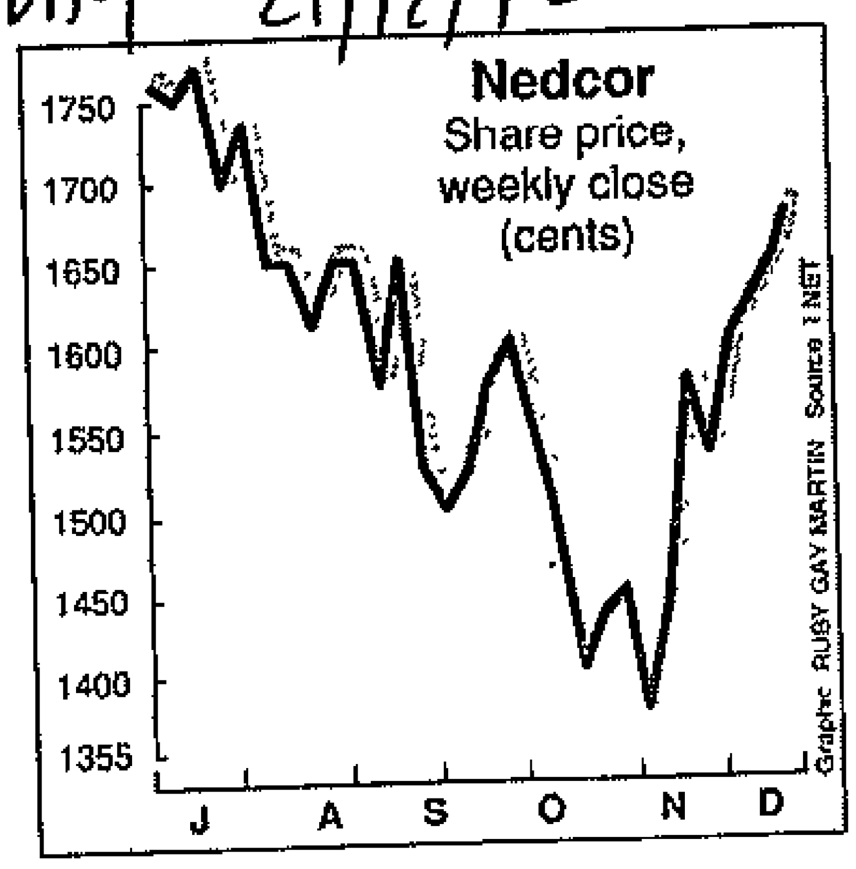
Liebenberg said there were two reasons for declining margins.

The first was lower interest rates with increased competition for high quality lending business resulting in the need to reprice, especially in respect of Nedcor's home-loan portfolio. The second was the higher than expected level of bad debt provisions as a result of the poor business cycle.

Nedcor surprised the market, which expected the Perm to depress group performance, with a 16% rise in earnings to 215c from 185c a share for the year to end-September.

Liebenberg said the group was concerned about the economy's short-term prospects, which would make it difficult to maintain past rates of growth in the immediate future.

Nedcor had the policies, commitment and people in place to meet challenges ahead. But it could not do this alone. It would need a healthy economy, based on an active export market and a stable, non-violent environment before there could be any return to sustainable growth in SA.



Liebenberg said the group's exposure to clients who had borrowed against the security of property in areas vulnerable to social unrest had been an area of concern.

This portfolio had been subject to ongoing review by management and the group's external auditors.

All parties were satisfied with the adequacy of the provisions, specifically with regard to properties in possession, under which any shortfall between the book value of the loan and the most conservative valuation, based on three different valuations of each property, was provided in full.

He said the review of existing risk-management and monitoring policies, procedures and structures was near completion.

Considerable effort had gone into identifying and defining appropriate risk parameters and research would continue in this area.

Rationalisation of the banking operations of Nedbank, Perm and Nedfin into Nedcor Bank had continued during the year under review.

Much attention was being given to positioning the group within a changing environment. Particular attention was given to market focus and to ways of ensuring that operating units intensified their orientation towards selected client needs and specific market segments.

Perm MD Hugh Maclachlan said Perm's 8% increase in net income to R70m (R65m) was promising in a year of consolidation. It indicated the underlying strength of Perm's main business activities of home loans, savings, investments and transactor trade.

Perm was financing mortgages of 240 000 homeowners.

Its experience in lending to the lower end of the market was a fundamental asset in a normalised political environment and represented a distinct advantage in dealing with markets of the future.

Rentbel prospects 'promising'

810AM 21/12/92 (58)

ROBERT WICKS

WIDESPREAD rationalisation during a period of depressed economic conditions improved the overall profitability of investment company Rentmeesterbeleggings (Rentbel).

Chairman Naude Bremer said all facets of the group's activities had been affected but prospects for 1993 looked promising.

The Pretoria-based company posted a good improvement in operating income from a loss of R2,92m (1991) to a R5,32m profit in the year to end-June 1992. Income after tax improved from a loss of R8,72m to a loss of R244 988.

Despite these gains a loss of 120,2 cents (73,3 cents loss) a share was posted.

MD Joachim Vermooten said funding facilities had been sufficient and would remain satisfactory in the forthcoming year. Group borrowings dropped from R54,2m in 1991 to R24,7m.

Associated company Trek Airways launched Flitestar. Startup costs and certain initial losses were capitalised and would be amortised over a 60-month period.

Bremer said fare dilutions had placed pressure on margins which had resulted in losses in domestic operations.

"It is expected that these fare dilutions will continue for some time due to overcapacity and an inadequate general fare structure in the domestic market," he said.

"Despite these problems steps to improve yields in the aviation sector have been taken and superb quality service has been developed which should have a positive effect."

Income from associates dropped to a loss of R3,40m from a R5,43m profit.

Bremer said the good progress achieved by the long-term assurance company was expected to continue. "The life assurance activities enjoyed strong growth and during the period a number of new innovative products were launched."

A change in management, rationalisation and improved marketing boosted the profitability of the group's activities.

Directors said the unfavourable economic climate and losses incurred made the declaration of a dividend unviable.

Syfrets bullish on capital market rates

BDay 22/12/92

58

LINDA ENSOR

CAPE TOWN — Syfrets was bullish on the prospects for capital market rates and saw the current market weakness as a buying opportunity, Syfrets economist Elmien de Kock said in Syfrets' latest Quarterly Economic Review.

She said the fact that government might have to raise R5bn from the domestic market next year was positive news for capital market rates. Government expenditure cuts would mean that the Public Investment Commissioner should be able to provide between R18bn and R20bn of the estimated R25bn required next year.

De Kock said it was inevitable that indirect and perhaps direct taxes would have to be increased in the 1993/94 Budget to ensure a deficit of 6% of GDP.
to ensure a deficit of 6% of GDP. Without tax increases, there would be insufficient state revenue, in spite of the expected marginal economic recovery.

The inflationary effects of higher indirect taxes raised the possibility of Reserve Bank intervention on interest rates. However, De Kock said, past experience suggested that Reserve Bank Governor Chris Stals would not deviate from his present hard line.

The economic upswing would, therefore, not be generated by the effect of lower interest rates on consumption, but by a turnaround in the agricultural sector, the rebuilding of inventories and maintained export growth.

De Kock partly blamed the escalation of the budget deficit to about 8% of GDP — below the IMF's suggested 3% — on political game playing over VAT.

"It was known right from the start that VAT should have been introduced at 13% or higher and not 10%. Unfortunately, it was a political hot potato which the ANC used to criticise budgetary procedure. Instead of economic sense prevailing, political agendas won the day."

De Kock said the lack of ANC and trade union opposition to the impending rise in the rate of VAT to 13% showed that they might be coming to terms with economic realities.

"Within . . . one year, they have switched from opposing VAT to tacitly supporting an increase."

On the equity market, De Kock said current SA share prices were expensive on historical ratings and with poor growth in earnings forecast, remained vulnerable to an overseas correction, particularly to the Dow Jones.

However, positive sentiment following political developments and seasonal factors, should continue and with scrip demand exceeding supply, there should be upward pressure in the short term.

Strong investment flow boosts Syfrets

BIDAY 22/12/92 (58)

LINDA ENSOR

CAPE TOWN — The market value of Syfrets' assets under administration rose 33,4% to R13,6bn (R10,2bn) in the 12 months to end-September, CE John Cragg said in the group's annual report released yesterday.

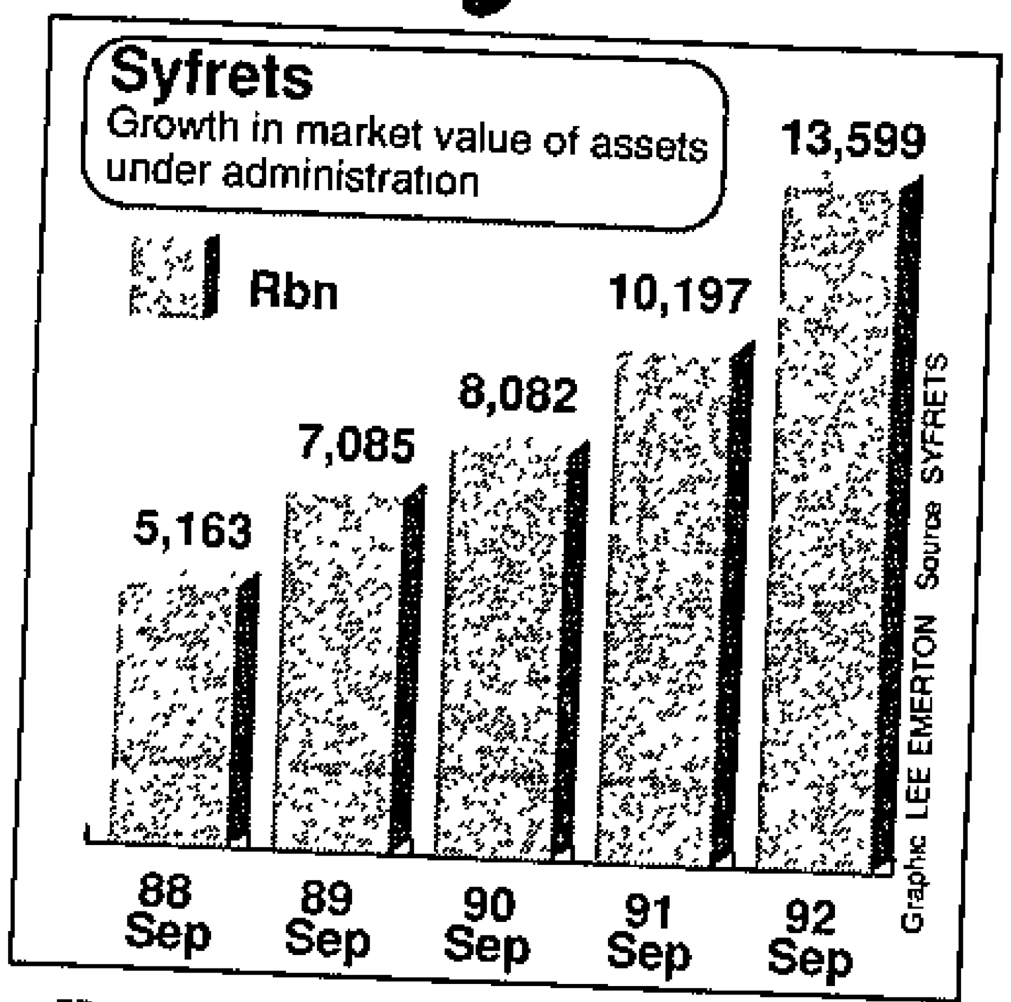
Record investment flows and new product development contributed to an 11% increase in after-tax profit to R22,4m (R20m).

Cragg attributed Syfrets' success to several factors, including the rise in Syfrets Managed Assets' pension and provident fund business to R1bn; record inflows into the Syfrets growth and gilt funds; and a good performance by the property finance division, which exceeded its target. The agreement between UAL and Syfrets to incorporate the Syfrets growth fund into a series of investment products had also generated good inflows and the investment planning division attracted new business worth R290m.

Total funds under administration reached a record high of R3,8bn, with total assets under the administration of Syfrets Managed Assets — the investment arm of Syfrets — exceeding R6bn. New funds of R50m were brought in by Executors and Trust Services, which also accounted for the flow of more than R80m into unit trusts.

The Syfrets trustee, gilt, sterling and dollar funds were launched, while the exclusive private banking division also got off the ground. Syfrets was also chosen to manage the Community Growth Fund.

"Buoyed by these successes achieved in adversity, we are sailing into 1993 with positive determination," Cragg said.



He said the remittance of an annual dividend from the Syfrets/UAL Isle of Man company, Associated Trust, was expected to have a significant effect on future profits.

Syfrets had 54 000 unit trust holders by year-end, with its new gilt fund attracting R190m in the first six months.

The property market over the past financial year had been characterised by an oversupply of CBD office space and a stagnant industrial sector, said Cragg.

The Transvaal region had nevertheless improved market penetration, exceeding its 1991 performance by almost 50% and Natal exceeded its new business budget by 33%.

The value of Syfrets Bank assets rose to more than R1bn and the total bank and participation mortgage bond advances book climbed to more than R2bn. Syfin, a joint property venture, notched up new projects worth more than R100m.

Reserve Bank dispute

58

DIRK HARTFORD

THE 42 000-strong SA Society of Bank Officials (Sasbo) has declared a dispute with the SA Reserve Bank following the Bank's refusal to negotiate with it.

According to Sasbo general secretary Ben Smith, the Bank's industrial relations policies are outdated.

"As the nation's central bank it should provide a positive lead for the rest of the financial institutions. By clinging to its bureaucratic past it is showing its personnel policies to be far behind other financial institutions," Smith said.

He said the union, which began activities at the Bank in April, had organised more than 700 of the Bank's 1 800 employees — including senior and middle management such as economists, internal inspectors and security chiefs.

BDay 22/12/92

When the Bank refused to negotiate salaries and working conditions with the union, Sasbo suggested that the issue be referred to independent arbitration. The Bank refused, he said.

The combination of management's "negative attitude" and an average salary increase of 4%, unilaterally decided upon, led to an influx of new members, said Smith.

He said the Bank's employees were no longer prepared to accept what top management decided might be good for them.

There was much dissatisfaction among Bank employees and Sasbo would do everything possible to solve their problems, he said.

Bank spokesmen were not available for comment yesterday.

Property market boost expected

Business Day Reporter

THE property market should be boosted by the recent stabilisation in business confidence, says NBS assistant GM, mortgage lending, Trevor Olivier. BIDm

He said home loan rates had been reduced twice during the year to the current 16,75%. A further drop in Bank rate was expected early in 1993, and this should result in another fall in prime. 23/12/92.

"Traditionally, home loan rates have followed prime, but over the past few months the reverse has been evident, primarily due to the lack of demand for credit," Olivier said.

Inflation was expected to decline in the short term, but would remain relatively high in the long term. This was good for property.

Olivier said the NBS had forecast an 18% rise in its loans business for the year to end-March 1993, and was "close to target". 58

"More and more people are refinancing their debts through their home loans," he said.

Clients could secure their debts against their home loans.

☐ LINDA ENSOR reports SA house buyers, who have less consumer protection than purchasers of second-hand cars, should insist on a building survey before buying a property, according to independent building surveyor John Cussen.

He said yesterday it was standard practice in the UK, US and Europe to demand a full building survey of any property one intended to buy.

In contrast, property in SA was sold "voetstoots", placing an almost impossible onus of proof on a buyer seeking redress.

1

DEPARTMENT OF FINANCE

No. R. 3412 (58) 24 December 1992

FINANCIAL SERVICES BOARD

AMENDMENT OF REGULATIONS UNDER THE INSURANCE ACT, 1943 (ACT No. 27 OF 1943)

The Minister of Finance has, under section 23A read with section 76 of the Insurance Act, 1943 (Act No. 27 of 1943), made the regulations contained in the Schedule.

SCHEDULE

1. In these regulations "the Regulations" means the regulations published under Government Notice No. R. 1285 of 27 August 1965, as amended by Government Notices Nos. R. 252 of 23 February 1968, R. 2036 of 2 November 1973, R. 2489 of 28 December 1973, R. 1442 of 20 August 1976, R. 333 of 1 March 1977, R. 838 of 20 May 1977, R. 1249 of 8 July 1977, R. 2274 of 4 November 1977, R. 947 of 12 May 1978, R. 1631 of 11 August 1978, R. 120 of 26 January 1979, R. 353 of 20 February 1981, R. 396 of 27 February 1981, R. 905 of 24 April 1981, R. 2064 of 2 October 1981, R. 446 of 4 March 1983, R. 2145 of 28 September 1984, R. 81 of 18 January 1985, R. 2117 of 20 September 1985, R. 2324 of 18 October 1985, R. 431 of 14 March 1986, R. 949 of 16 May 1986, R. 2584 and R. 2628 of 12 December 1986, R. 2288 of 16 October 1987, R. 2501 of 9 December 1988, R. 1345 of 30 June 1989, R. 1447 of 7 July 1989, R. 1922 of 1 September 1989, R. 2886 of 29 December 1989, R. 1734 of 27 July 1990, R. 1925 of 17 August 1990, R. 2360 of 27 September 1991, R. 2846 of 29 November 1991, R. 1722 of 26 June 1992, R. 2344 of 21 August 1992 and R. 3179 of 20 November 1992.

2. Regulation 28 of the Regulations is hereby amended—

(a) by the substitution in subregulation (1) for the definition of "n" of the following definition:

" 'n' means, for each separately identifiable constituent of a life policy—

(a) if only C of the numbers A, B and C is applicable to such constituent, C; and

(b) if C and only one or both of the other aforementioned numbers are applicable to such constituent, the smaller or smallest, as the case may be, of such numbers as are applicable;

and for the purposes of this definition—

'A' means the number of years in the premium-paying term, if such term is uniquely defined;

'B' means the number of years in respect of which premiums are payable before the earliest survival benefit (including a surrender value but excluding a disability benefit) of at least a specifically stated or predeterminable monetary amount becomes available; and

DEPARTEMENT VAN FINANSIES

No. R. 3412 24 Desember 1992

RAAD OP FINANSIËLE DIENSTE

WYSIGING VAN REGULASIES KRAGTENS DIE VERSEKERINGSWET, 1943 (WET No. 27 VAN 1943)

Die Minister van Finansies het kragtens artikel 23A saamgelees met artikel 76 van die Versekeringswet, 1943 (Wet No. 27 van 1943), die regulasies vervat in die Bylae, uitgevaardig.

BYLAE

1. In hierdie regulasies beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 1285 van 27 Augustus 1965, soos gewysig by Goewermentskennisgewings Nos. R. 252 van 23 Februarie 1968, R. 2036 van 2 November 1973, R. 2489 van 28 Desember 1973, R. 1442 van 20 Augustus 1976, R. 333 van 1 Maart 1977, R. 838 van 20 Mei 1977, R. 1249 van 8 Julie 1977, R. 2274 van 4 November 1977, R. 947 van 12 Mei 1978, R. 1631 van 11 Augustus 1978, R. 120 van 26 Januarie 1979, R. 353 van 20 Februarie 1981, R. 396 van 27 Februarie 1981, R. 905 van 24 April 1981, R. 2064 van 2 Oktober 1981, R. 446 van 4 Maart 1983, R. 2145 van 28 September 1984, R. 81 van 18 Januarie 1985, R. 2117 van 20 September 1985, R. 2324 van 18 Oktober 1985, R. 431 van 14 Maart 1986, R. 949 van 16 Mei 1986, R. 2584 en R. 2628 van 12 Desember 1986, R. 2288 van 16 Oktober 1987, R. 2501 van 9 Desember 1988, R. 1345 van 30 Junie 1989, R. 1447 van 7 Julie 1989, R. 1922 van 1 September 1989, R. 2886 van 29 Desember 1989, R. 1734 van 27 Julie 1990, R. 1925 van 17 Augustus 1990, R. 2360 van 27 September 1991, R. 2846 van 29 November 1991, R. 1722 van 26 Junie 1992, R. 2344 van 21 Augustus 1992 en R. 3179 van 20 November 1992.

2. Regulasie 28 van die Regulasies word hierby gewysig—

(a) deur in subregulasie (1) die omskrywing van "n" deur die volgende omskrywing te vervang:

" 'n' beteken, vir elke afsonderlik uitkenbare onderdeel van 'n lewenspolis—

(a) indien slegs C van die getalle A, B en C op sodanige onderdeel van toepassing is, C; en

(b) indien C en slegs een of albei van die ander voornoemde getalle op sodanige onderdeel van toepassing is, die kleinste getal wat van toepassing is;

en by die toepassing van hierdie omskrywing, beteken—

'A' die getal jare in die premiebetalende termyn, indien sodanige termyn eenduidig omskryf is;

'B' die getal jare ten opsigte waarvan premies betaalbaar is voordat die vroegste oorlewingsvoordeel (met inbegrip van 'n afkoopwaarde maar uitgesonderd 'n ongeskiktheidsvoordeel) van minstens 'n uitdruklik vermelde of voorafbepaalbare geldelike bedrag beskikbaar word; en

SCHEDULE

1. In this Schedule "the Regulations" shall mean the regulations published under Government Notice No. R. 2507 of 19 November 1982, as amended by Government Notice No. R. 2354 of 27 September 1991.

2. The Annex of the Regulations is hereby amended by the insertion in the correct alphabetical position of the item listed in column I below with the corresponding particulars listed in columns II and III:

I Foodstuff	II Anti-caking agent	III Conditions and limits (mg/kg)
Dextrose..	Microcrystalline cellulose	10 000

No. R. 3418 **24 December 1992**

THE SOUTH AFRICAN MEDICAL AND DENTAL COUNCIL

REGULATIONS RELATING TO THE REGISTRATION OF ADDITIONAL QUALIFICATIONS BY OPTOMETRISTS: AMENDMENT

The Minister of National Health has, in terms of section 61 (1) (o) of the Medical, Dental and Supplementary Health Service Professions Act, 1974 (Act No. 56 of 1974), on the recommendation of the South African Medical and Dental Council, made the regulations set out in the Schedule hereto.

SCHEDULE

1. In this Schedule "the regulations" means the regulations published by Government Notice No. R. 1103 of 30 May 1984, as amended by Government Notices Nos. R. 2469 of 28 November 1986 and R. 2352 of 23 October 1987.

2. Regulation 2 of the Regulations is hereby amended by the addition of the following qualification under the heading "United States of America":

University or examining authority and qualification	*Abbreviation for registration*
American Academy of Optometry	
"Fellow	FAAO".

DEPARTMENT OF TRADE AND INDUSTRY

No. R. 3415 **24 December 1992**

ESTATE AGENTS ACT, 1976

CODE OF CONDUCT

The Estate Agents Board, with the approval of the Deputy Minister of Trade and Industry, acting on behalf of the Minister of Finance and of Trade and Industry, has in terms of section 8 (b) of the Estate Agents Act, 1976 (Act No. 112 of 1976), framed the Code of Conduct as set out in the Schedule hereto.

BYLAE

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 2507 van 19 November 1982, soos gewysig by Goewermentskennisgewing No. R. 2354 van 27 September 1991.

2. Die Aanhangsel van die Regulasies word hierby gewysig deur die item aangedui in kolom I hieronder, met die ooreenstemmende besonderhede aangedui in kolomme II en III, in die korrekte alfabetiese posisie in te voeg:

I Voedingsmiddel	II Anti-koekmiddel	III Voorwaardes en perke (mg/kg)
Dekstrose...............	Mikrokristallyn-sellulose	10 000

No. R. 3418 **24 Desember 1992**

DIE SUID-AFRIKAANSE GENEESKUNDIGE EN TANDHEELKUNDIGE RAAD

REGULASIES BETREFFENDE DIE REGISTRASIE VAN ADDISIONELE KWALIFIKASIES VAN OPTOMETRISTE: WYSIGING

Die Minister van Nasionale Gesondheid het kragtens artikel 61 (1) (o) van die Wet op Geneeshere, Tandartse en Aanvullende Gesondheidsdiensberoepe, 1974 (Wet No. 56 van 1974), op aanbeveling van die Suid-Afrikaanse Geneeskundige en Tandheelkundige Raad, die regulasies in die Bylae hiervan uiteengesit, uitgevaardig.

BYLAE

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 1103 van 30 Mei 1984, soos gewysig by Goewermentskennisgewings Nos. R. 2469 van 28 November 1986 en R. 2352 van 23 Oktober 1987.

2. Regulasie 2 van die Regulasies word hierby gewysig deur onder die opskrif "Verenigde State van Amerika" die volgende kwalifikasie by te voeg:

Universiteit of eksaminerende liggaam en kwalifikasie	*Afkorting vir registrasie*
American Academy of Optometry	
"Fellow	FAAO".

DEPARTEMENT VAN HENDEL EN NYWERHEID

No. R. 3415 **24 Desember 1992**

WET OP EIENDOMSAGENTE, 1976

GEDRAGSKODE

Die Raad vir Eiendomsagente, met die goedkeuring van die Adjunkminister van Handel en Nywerheid, handelende namens die Minister van Finansies en van Handel en Nywerheid, het kragtens artikel 8 (b) van die Wet op Eiendomsagente, 1976 (Wet No. 112 van 1976), die gedragskode soos in die bylae hierby uitgevaardig.

SCHEDULE

58

1. *Definitions*

In this code of conduct, unless the context otherwise indicates—

(a) **"board"** means the Estate Agents Board;

(b) **"candidate estate agent"** means a person referred to in paragraph c (ii) of the definition of "estate agent" in section 1 of the Act who has subject to the provisions of Government Notice No. R. 1469 of 29 June 1990 been exempted from the standard of training prescribed by Government Notice No. R. 1409 of 1 July 1983;

(c) **"client"** means a person who has given an estate agent a mandate, provided that should an estate agent have conflicting mandates in respect of a particular immovable property, the person whose mandate has first been accepted by the estate agent, is regarded as the client;

(d) **"estate agency service"** means any service referred to in subparagraphs (i)–(iv) of paragraph (a) of the definition of "estate agent" in section 1 of the Act;

(e) **"estate agent"** means a person defined in section 1 of the Act, including a candidate estate agent;

(f) **"franchise"** means an agreement, arrangement or understanding between a franchisor and a franchisee estate agent in terms of which the latter is entitled or required to operate under a trade name which is owned by, or which is associated with the business of, the franchisor or any other person;

(g) **"immovable property"** means immovable property as defined in section 1 of the Act;

(h) **"mandate"** means an instruction or an authority given to, and accepted by, estate agent to render an estate agency service;

(i) **"sole mandate"** means a mandate incorporating an undertaking on the part of the person giving the mandate, not to confer a similar mandate on another estate agent before the expiry of a determined or determinable period;

(j) **"the Act"** means the Estate Agents Act, 1976 (Act No. 112 of 1976).

2. General duty to protect the public's interest

In terms of estate agents' general duty to members of the public and other persons or bodies, an estate agent—

2.1 shall not in or pursuant to the conduct of his business do or omit to do any act which is or may be contrary to the integrity of estate agents in general;

2.2 shall protect the interests of his client at all times to the best of his ability, with due regard to the interests of all other parties concerned;

BYLAE

1. *Woordomskrywings*

In hierdie gedragskode, tensy uit die samehang anders blyk, beteken—

(a) **"alleenmandaat"** 'n mandaat wat 'n onderneming deur die mandaatgewer inkorporeer om nie 'n soortgelyke mandaat aan 'n ander eiendomsagent voor die verstryking van 'n bepaalde of bepaalbare tydperk te gee nie;

(b) **"die Wet"** die Wet op Eiendomsagente, 1976 (Wet No. 112 van 1976);

(c) **"eiendomsagent"** 'n persoon omskryf in artikel 1 van die Wet, met inbegrip van 'n kandidaat-eiendomsagent;

(d) **"eiendomsagente-diens"** enige diens waarna verwys word in subparagrawe (i)–(iv) van paragraaf (a) van die omskrywing van "eiendomsagent" in artikel 1 van die Wet;

(e) **"kandidaat-eiendomsagent"** 'n persoon waarna verwys word in paragraaf c (ii) van die omskrywing van "eiendomsagent" in artikel 1 van die Wet wat, onderworpe aan die bepalings van Goewermentskennisgewing No. R. 1469 van 29 Junie 1990, vrygestel is van die standaard van opleiding soos voorgeskryf deur Goewermentskennisgewing No. R. 1409 van 1 Julie 1983;

(f) **"kliënt"** 'n persoon wat aan 'n eiendomsagent 'n mandaat gegee het, met dien verstande dat indien 'n eiendomsagent botsende mandate ten opsigte van 'n bepaalde onroerende eiendom het, word die persoon wie se mandaat eerste deur die eiendomsagent aanvaar is, as die kliënt beskou;

(g) **"konsessie"** 'n ooreenkoms, reëling of verstandhouding tussen 'n konsessie-gewer en 'n konsessie-ontvanger eiendomsagent waar kragtens laasgenoemde geregtig is of vereis word om sake te doen onder 'n handelsnaam wat besit word deur, of geassosieer word met die besigheid van, die konsessie-gewer of enige ander persoon;

(h) **"mandaat"** 'n opdrag of volmag wat aan 'n eiendomsagent gegee en deur hom aanvaar is om 'n eiendomsagente-diens te lewer;

(i) **"onroerende goed"** onroerende goed soos omskryf in artikel 1 van die Wet;

(j) **"raad"** die Raad vir Eiendomsagente.

2. *Algemene verpligting om die publiek se belange te beskerm*

Uit hoofde van eiendomsagente se algemene plig teenoor lede van die publiek en ander persone of instansies—

2.1 mag geen eiendomsagent in of voortspruitend uit die dryf van sy besigheid 'n handeling verrig of versuim om 'n handeling te verrig wat die integriteit van eiendomsagente in die algemeen skaad of kan skaad nie;

2.2 moet 'n eiendomsagent die belange van sy kliënt te alle tye na die beste van sy vermoë beskerm, met die nodige inagneming van die belange van alle ander betrokke partye;

2.3 shall not in his capacity as an estate agent wilfully or negligently fail to perform any work or duties with such degree of care and skill as might reasonably be expected of an estate agent;

2.4 shall comply with both the Act and the regulations promulgated thereunder;

2.5 shall not through the medium of a company, close corporation or third party, or by using such company, close corporation or third party, or by using such company, close corporation or third party as a front or nominee do anything which would not be permissible for him to do if he were operating as an estate agent;

2.6 shall not deny equal services to any person for reasons or race, creed, sex, or country of national origin;

2.7 shall not discriminate against a prospective purchaser of immovable property on the grounds that such purchaser will not, or is unlikely to, make use of financial assistance made available by any specific person or financial institution and which the estate agent offers to arrange on his behalf.

3. *Mandates*

No estate agent shall—

3.1 offer, purport or attempt to offer any immovable property for sale or to let or negotiate in connection therewith or canvass or undertake or offer to canvass a purchaser or lessee therefor, unless he has been given a mandate to do so by the seller or lessor of the property, or his duly authorised agent;

3.2 on behalf of a prospective purchaser or lessee, offer, purport or attempt to offer to purchase or lease any immovable property or negotiate in connection therewith or canvass, or undertake or offer to canvass a seller or lessor therefor, unless he has been given a mandate to do so by such prospective purchaser or lessee, as the case may be, or his duly authorised agent;

3.3 accept a sole mandate, or the extension of the period of an existing sole mandate, unless—

3.3.1 all the terms of such mandate (or extension, as the case may be) are in writing and signed by the client;

3.3.2 the expiry date of the mandate (or extension, as the case may be), which shall be expressed as a calender date, is specifically recorded in the written sole mandate (or extension, as the case may be);

3.4 accept a sole mandate which contains a provision conferring upon him—

3.4.1 an option to extend the sole mandate for a certain period after expiry of the sole mandate; or

2.3 mag geen eiendomsagent in sy hoedanigheid as 'n eiendomsagent opsetlik of nalatig versuim om enige werk te verrig of verpligtinge uit te voer met sodanige sorg en vaardigheid as wat redelikerwys van 'n eiendomsagent verwag kan word nie;

2.4 moet 'n eiendomsagent voldoen aan sowel die Wet en die regulasies daarkragtens uitgevaardig;

2.5 mag geen eiendomsagent deur middel van 'n maatskappy, beslote korporasie of 'n derde party, of deur die gebruikmaking van sodanige maatskappy, beslote korporasie of derde party as 'n front of genomineerde, enigiets doen wat nie vir hom toelaatbaar sou gewees het om te doen indien hy as 'n eiendomsagent sake sou gedoen het nie;

2.6 mag geen eiendomsagent sy gelykwaardige diens weier aan enige persoon op grond van ras, geloof, geslag of land van herkoms nie;

2.7 mag geen eiendomsagent teen 'n voornemende koper van onroerende goed diskrimineer op grond daarvan dat sodanige koper nie, of waarskynlik nie, gebruik sal maak van die finansiële bystand wat beskikbaar gestel word deur enige spesifieke persoon of finansiële instelling en wat die eiendomsagent aanbied om namens hom te reël nie.

3. *Mandate*

Geen eiendomsagent mag—

3.1 enige onroerende goed te koop of te huur aanbied of voorgee of poog om dit aldus aan te bied, of in verband daarmee onderhandel, of 'n koper of huurder daarvoor werf of onderneem of aanbied om 'n koper of huurder daarvoor te werf, nie, tensy hy 'n mandaat om dit te doen van die verkoper of verhuurder van die onroerende goed, of sy gevolgmagtigde verteenwoordiger, ontvang het;

3.2 namens 'n voornemende koper of huurder aanbied om enige onroerende goed te koop of te huur, of voorgee of poog om sodanige aanbod te maak, of in verband daarmee onderhandel of 'n verkoper of verhuurder daarvoor werf of onderneem of aanbied om 'n verkoper of huurder daarvoor te werk, nie, tensy sodanige voornemende koper of huurder, na gelang van die geval, of sy gevolmagtigde verteenwoordiger, aan hom 'n mandaat gegee het om dit te doen;

3.3 'n alleenmandaat, of die verlenging van die tydperk van 'n bestaande alleenmandaat, aanvaar nie, tensy—

3.3.1 al die bepalings van sodanige mandaat (of verlenging, na gelang van die geval) op skrif gestel en deur die kliënt onderteken is;

3.3.2 die vervaldatum van die mandaat (of verlenging, na gelang van die geval), welke datum as 'n kalenderdatum uitgedruk moet word, spesifiek in die geskrewe alleenmandaat (of verlenging, na gelang van die geval) gemeld word;

3.4 'n alleenmandaat aanvaar wat 'n bepaling bevat waarkragtens hy—

3.4.1 'n opsie het om die alleenmandaat vir 'n bepaalde tydperk na verstryking van die alleenmandaat, te verleng nie; of

3.4.2 a mandate to continue to render the same estate agency service referred to in the sole mandate, after expiry of the sole mandate,

unless—

(aa) the client has prior to his signature of the sole mandate expressly consented in a written document executed independently of the said sole mandate, to the inclusion of such provision or provisions (as the case may be); and

(bb) such document contains an explanation of the reasons for and implications of the inclusion of such provision; and

(cc) such document is signed by both the client and the estate agent in question;

3.5 accept a sole mandate which also confers upon him a power of attorney to act on behalf of the person conferring the mandate, unless the intention and effect of such power of attorney is fully explained in the document embodying the sole mandate;

3.6 include, or cause to be included, or accept the benefit of, any clause in a contract of sale or lease of immovable property negotiated by him, whereby a sole mandate is directly or indirectly conferred upon him to sell or let the said immovable property at any time after the conclusion of the said contract;

3.7 accept any mandate or instructions for work in respect of immovable property if his interest therein would compete with his obligations towards an existing client in respect of the same immovable property without first disclosing such interest in writing to such client;

3.8 knowingly or negligently make a material misrepresentation concerning the likely market value or rental income of immovable property to a seller or lessor thereof, in order to obtain a mandate in respect of such property;

3.9 accept a mandate in respect of any immovable property if the performance of the mandate requires specialised skill or knowledge falling outside his field of competence, unless he will in the performance of the mandate be assisted by a person who has the required skill or knowledge and this fact is disclosed in writing to the client;

3.10 accept a sole mandate to sell or let immovable property, unless he has explained in writing to the client—

3.10.1 the legal implications should the client during the currency of the sole mandate or thereafter sell or let the property without the assistance of the estate agent, or through the intervention of another estate agent; and

3.4.2 'n mandaat het om voort te gaan om dieselfde eiendomsagente diens wat in die alleenmandaat genoem word, na verstryking van die alleenmandaat te lewer nie,

tensy—

(aa) die kliënt voordat hy die alleenmandaat onderteken het, uitdruklik in 'n skriftelike dokument wat onafhanklik van die genoemde alleenmandaat opgestel is, ingestem het tot die insluiting van sodanige bepalings of bepalings (na gelang van die geval); en

(bb) sodanige dokument 'n verduideliking bevat van die redes vir en implikasies van die insluiting van sodanige bepaling; en

(cc) sodanige dokument deur beide die kliënt en die betrokke eiendomsagent onderteken is;

3.5 'n alleenmandaat aanvaar wat ook 'n volmag aan hom verleen om namens die mandaatgewer op te tree nie, tensy die bedoeling en uitwerking van sodanige volmag volledig in die dokument wat die alleenmandaat beliggaam, verduidelik word;

3.6 'n bepaling in 'n koop- of huurkontrak wat hy onderhandel het, insluit of laat insluit, of die voordeel daarvan aanvaar, ingevolge waarvan 'n alleenmandaat direk of indirek aan hom verleen word om genoemde onroerende goed te enige tyd na die sluiting van die genoemde kontrak te verkoop of the verhuur nie;

3.7 'n mandaat of opdragte vir werk ten opsigte van onroerende goed aanvaar indien sy belang daarin meeding met sy verpligtinge teenoor 'n bestaande kliënt in verband met dieselfde onroerende goed, sonder om eers sodanige belang skriftelik aan sodanige kliënt te openbaar nie;

3.8 opsetlik of nalatig 'n wesenlike wanvoorstelling betreffende die waarskynlike markwaarde of huurinkomste van onroerende goed aan 'n verkoper of verhuurder daarvan maak ten einde 'n mandaat ten opsigte van sodanige onroerende goed te verkry nie;

3.9 'n mandaat ten opsigte van onroerende goed aanvaar indien die uitvoering van die mandaat gespesialiseerde vaardigheid of kennis vereis wat buite sy sfeer van bevoegdheid val nie, tensy hy in die uitvoering van die mandaat bygestaan sal word deur 'n persoon wat die nodige vaardigheid of kennis het en sodanige feit skriftelik aan die kliënt openbaar word;

3.10 'n alleenmandaat om onroerende goed te verkoop of te verhuur aanvaar nie, tensy hy skriftelik aan die kliënt verduidelik het—

3.10.1 wat die regsimplikasies sal wees indien die kliënt gedurende die tydperk van die alleenmandaat, of daarna, die onroerende goed sonder die bystand van die eiendomsagent, of deur die tussenkoms van 'n ander eiendomsagent, verkoop of verhuur; en

3.10.2 what specific obligations in respect of the marketing of the property will be assumed by the estate agent in his endeavour to perform the mandate:

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Provided that such explanations, if contained in a standard pre-printed or typed sole mandate document, shall be in lettering not smaller than that generally used in the remainder of the document.

4. Duty to disclose

4.1 An estate agent shall—

4.1.1 convey to a purchaser or lessee or a prospective purchaser or lessee of immovable property in respect of which a mandate has been given to him to sell, let, buy or hire, all facts concerning such property as are, or should reasonably in the circumstances be, within his personal knowledge and which are or could be material to a prospective purchaser or lessee thereof;

4.1.2 if he conducts his business in terms of an franchise, disclose clearly and unambiguously in all his correspondence, circulars, advertisements and other written documentation that he operates in terms of a franchise and state thereon his name and the name of the franchisor;

4.1.3 if he conducts his business under a trade name or style other than his own name, clearly disclose his full name in all correspondence, circulars and other written documentation.

4.1.4 not perform or attempt to perform any mandate in respect of a particular property if a current prior mandate, which conflicts with the aforesaid mandate, has been accepted by him, unless he has disclosed to the person who has given the later mandate the existence of such prior mandate, and the fact that he will not be the estate agent's client in respect of that property.

4.2 No estate agent shall purchase directly or indirectly for himself, or acquire any interest in, or conclude a lease in respect of, any immovable property in respect of which he has a mandate, without the full knowledge and consent of the person who conferred the mandate, or sell or let his own immovable property or any immovable property in which he has any direct or indirect interest, to any prospective purchaser or lessee who has retained his services, without that purchaser or lessee having full knowledge of his ownership of, or interest in, such immovable property.

5. Duty not to make misrepresentations or false statements or to use harmful marketing techniques

No estate agent shall—

5.1 in his capacity as an estate agent publish or cause to be published any advertisement which could create the impression that it was published by the owner, seller or lessor of immovable property, or by a prospective purchaser or lessee of immovable property;

3.10.2 watter spesifieke verpligtinge ten aansien van die bemarking van die onroerende goed deur die eiendomsagent aanvaar sal word in sy strewe om die mandaat uit te voer:

Met dien verstande dat sodanige verduidelikings, indien dit vervat is in 'n standaard voorafgedrukte of getikte alleenmandaat-dokument, nie van 'n kleiner lettergrootte mag wees as wat algemeen in die res van die dokument gebruik word nie.

4. Verpligting om te openbaar

4.1 'n Eiendomsagent—

4.1.1 moet aan 'n koper of huurder of voornemende koper of huurder van onroerende goed ten opsigte waarvan 'n mandaat aan hom gegee is om dit te verkoop, verhuur, koop of huur, alle feite met betrekking tot sodanige onroerende goed wat binne sy persoonlike kennis val, of in die omstandighede redelikerwys binne sy kennis behoort te val, en wat vir 'n voornemende koper of huurder daarvan wesenlik is of mag wees, meedeel;

4.1.2 moet indien hy sy besigheid op 'n konsessiegrondslag dryf, duidelik en ondubbelsinnig in al sy korrespondensie, omsendskrywes, advertensies en ander geskrewe dokumente openbaar dat hy kragtens 'n konsessie handel en sy naam sowel as die naam van die konsessiegewer daarin vermeld;

4.1.3 moet indien hy sy besigheid onder 'n handelsnaam of styl anders as sy eie naam dryf, sy volle naam duidelik in alle korrespondensie, omsendskrywes en ander geskrewe dokumente vermeld.

4.1.4 mag nie 'n mandaat ten opsigte van 'n bepaalde onroerende eiendom uitvoer of poog om dit uit te voer indien 'n geldende mandaat wat met voorgenoemde mandaat bots reeds voorheen deur hom aanvaar is nie, tensy die bestaan van sodanige vorige mandaat, en die feit dat hy nie die eiendomsagent se kliënt ten opsigte van daardie eiendom sal wees nie, aan die persoon wat die latere mandaat gegee het, openbaar word.

4.2 Geen eiendomsagent mag onroerende goed ten aansien waarvan hy 'n mandaat het, direk of indirek vir homself koop, of enige belang daarin verkry, of 'n huurkontrak ten opsigte daarvan aangaan, sonder die volle medewete en toestemming van die mandaatgewer nie, of sy eie onroerende goed of enige onroerende goed waarin hy enige direkte of indirekte belang het, aan enige voornemende koper of huurder wat sy dienste bekom het, verkoop of verhuur sonder dat daardie koper of huurder volledig kennis dra van sy eiendomsreg of belang in sodanige onroerende goed nie.

5. Verpligting om nie wanvoorstellings of valse verklarings te maak of om skadelike bemarkingstegnieke te gebruik nie

Geen eiendomsagent mag—

5.1 in sy hoedanigheid as eiendomsagent enige advertensie publiseer of laat publiseer wat die indruk mag skep dat dit deur die eienaar, verkoper of verhuurder van onroerende goed, of deur 'n voornemende koper of huurder van onroerende goed, gepubliseer is nie;

5.2 wilfully or negligently, in relation to his activities as an estate agent, prepare, make or assist any other person to prepare or make any false statement, whether orally or in writing, or sign any false statement in relation thereto knowing it to be false, or knowingly or recklessly prepare or maintain any false books of account or other records;

5.3 claim to be an expert or to have specialised knowledge in respect of any estate agency service if, in fact, he is not such an expert or does not have such special knowledge;

5.4 advertise or otherwise market immovable property in respect of which he has been given a mandate to sell or let, at a price or rental other than that agreed upon with the seller or lessor of the property;

5.5 without derogating from the generality of the aforegoing—

5.5.1 wilfully or negligently mislead or misrepresent in regard to any matter pertaining to the immovable property in respect of which he has a mandate;

5.5.2 use any harmful or misleading marketing technique or method to influence any person to confer upon him a mandate to render any estate agency service or to sell, purchase, let or hire immovable property, having regard to the general experience which such person has concerning property transactions and the circumstances surrounding the transaction or proposed transaction;

5.6 use any firm or trading name in respect of his business if such name may give rise to confusion on the part of the public in respect of the nature of the business carried on by him;

5.7 inform a seller or purchaser, or prospective seller or purchaser, of immovable property in respect of which he has been given a mandate to sell or purchase, that he has obtained an offer in respect of the property from a purchaser or the seller (as the case may be), unless such offer—

5.7.1 is in writing; and

5.7.2 has been signed by the offeror; and

5.7.3 is to the knowledge of the estate agent concerned, a *bona fide* offer;

5.8 affix any board or notice to immovable property indicating that such property is for sale or hire or has been sold or let, unless—

5.8.1 the seller or lessor (as the case may be) has given his written consent to do so; and

5.8.2 the estate agent concerned in fact has a mandate to sell or let the property, or in fact has sold or let the property, as the case may be.

5.2 opsetlik of nalatig, in verband met sy bedrywighede as 'n eiendomsagent, enige valse verklaring voorberei of maak of enige ander persoon bystaan om dit voor te berei of te maak nie, hetsy mondeling of skriftelik, of 'n valse verklaring in verband daarmee onderteken wetende dat dit vals is, of opsetlik of op 'n roekelose wyse enige vals boeke of rekeninge of ander rekord voorberei of hou nie;

5.3 daarop aanspraak maak dat hy 'n deskundige op die gebied van enige eiendomsagente-diens is of gespesialiseerde kennis ten aansien daarvan het nie, indien hy inderwaarheid nie sodanige deskundige is of sodanige gespesialiseerde kennis het nie;

5.4 onroerende goed ten aansien waarvan hy 'n mandaat het om dit te verkoop of te verhuur, teen 'n ander prys of huurgeld as waaroor met die verkoper of verhuurder van die onroerende goed ooreengekom is, adverteer of andersins bemark nie;

5.5 sonder om afbreuk te doen aan die algemeenheid van die voorafgaande—

5.5.1 opsetlik of nalatig mislei of 'n wanvoorstelling maak in verband met enige aangeleentheid wat betrekking het op onroerende goed ten opsigte waarvan hy 'n mandaat het nie;

5.5.2 enige skadelike of misleidende bemarkingstegniek of -metode gebruik ten einde 'n persoon te beïnvloed om aan hom 'n mandaat te gee om enige eiendomsagente-diens te lewer, of om onroerende goed te verkoop, koop, verhuur of huur nie, met inagneming van die algemene ondervinding wat sodanige persoon van eiendomstransaksies het en die omstandighede onderliggend aan die transaksie of beoogde transaksie;

5.6 enige firma- of handelsnaam ten opsigte van sy besigheid as 'n eiendomsagent gebruik nie, indien sodanige naam tot verwarring aan die kant van die publiek aanleiding kan gee aangaande die aard van die besigheid wat hy bedryf;

5.7 'n verkoper of koper, of voornemende verkoper of koper van onroerende goed ten aansien waarvan hy 'n mandaat het om dit te verkoop of te koop, meedeel dat hy 'n aanbod ten opsigte van die onroerende goed van 'n koper of die verkoper (na gelang van die geval) ontvang het nie, tensy sodanige aanbod—

5.7.1 op skrif gestel is; en

5.7.2 deur die aanbieder onderteken is; en

5.7.3 sover dit binne die betrokke eiendomsagent se kennis val, 'n *bona fide* aanbod is;

5.8 enige bord of kennisgewing aan onroerende goed heg wat daarop dui dat sodanige onroerende goed te koop of te huur is of dat dit verkoop of verhuur is nie, tensy—

5.8.1 die verkoper of verhuurder (na gelang van die geval) skriftelike toestemming daartoe verleen het; en

5.8.2 die betrokke eiendomsagent inderwaarheid 'n mandaat het om die onroerende goed te verkoop of te verhuur, of inderwaarheid dit verkoop of verhuur het, na gelang van die geval.

6. *Duties in respect of offers and contracts*

6.1 No State agent—

6.1.1 who has a mandate to sell or purchase immovable property shall wilfully fail to present or cause to be presented to the seller or purchaser concerned, any offer to purchase or sell such property, received prior to the conclusion of a contract of sale in respect of such property, unless the seller or purchaser (as the case may be) has instructed him expressly not to present such offer;

6.1.2 who has a mandate to sell immovable property, may present competing offers to purchase the property in such a manner as to induce the seller to accept any particular offer without regard to the advantages and/or disadvantages of each offer for the seller;

6.1.3 shall amend any provision of a signed offer, prior to rejection thereof, or a written mandate or any contract of sale or lease, without the knowledge and express consent of the offeror or the parties to the contract, as the case may be.

6.2 An estate agent shall—

6.2.1 explain to every prospective party to any written offer or contract negotiated or procured by him in his capacity as an estate agent, prior to signature thereof by such party, the meaning and consequences of the material provisions of such offer or contract, or, if he is unable to do so, refer such party to a person who can do so;

6.2.2 if he knows that an offer submitted by him as an estate agent to any party has been accepted, or has not been accepted by the expiry date thereof, forthwith notify the offeror of such fact;

6.2.3 without undue delay furnish every contracting party with a copy of an agreement of sale, lease, option or mandate with which he is concerned as an estate agent, provided that the aforegoing shall also apply in respect of an offer to purchase or lease if the offeror specifically requests a copy thereof.

7. *Prohibition againts undue influence*

No estate agent shall without good and sufficient cause, directly or indirectly, in any manner whatsoever, solicit, encourage, persuade or influence any party or potential party to a pending or a complete transaction to utilise or refrain from utilising—

7.1 the services of any particular attorney, conveyancer or firm of attorneys;

7.2 the services or financial assistace offered by any financial institution to members of the public in general; or

7.3 the financial assistance offered to such party by any person.

6. *Verpligtinge ten opsigte van aanbiedinge en kontrakte*

6.1 Geen eiendomsagent—

6.1.1 wat 'n mandaat het om onroerende goed te verkoop of te koop, mag opsetlik nalaat om aan die betrokke verkoper of koper enige aanbod om sodanige onroerende goed te koop of te verkoop en wat voor die sluiting van 'n koopkontrak ten opsigte van die onroerende goed ontvang is, voor te lê of te laat voorlê nie, tensy die verkoper of koper (na gelang van die geval) hom uitdruklik opdrag gegee het om nie sodanige aanbod voor te lê nie;

6.1.2 wat 'n mandaat het om onroerende goed te verkoop, mag mededingende aanbiedinge om die onroerende goed te koop op sodanige wyse voorlê ten einde die verkoper te oorreed om 'n bepaalde aanbod te aanvaar sonder inagneming van die voordele en/of nadele wat elke aanbod vir die verkoper inhou nie;

6.1.3 mag enige bepaling van 'n getekende aanbod, voor afwysing daarvan, of 'n geskrewe mandaat of enige koop- of huurkontrak wysig, sonder die kennis en uitdruklike toestemming van die aanbieder of die partye tot die kontrak, na gelang van die geval, nie.

6.2 'n Eiendomsagent moet—

6.2.1 aan elke voornemende party tot 'n skriftelike aanbod of kontrak wat deur hom as eiendomsagent onderhandel of verkry is, voor ondertekening daarvan deur sodanige party, verduidelik wat die betekenis en gevolge van die wesenlike bepalings van sodanige aanbod of kontrak is, of, indien hy nie in staat is om dit te doen nie, sodanige party na 'n persoon verwys wat dit wel kan doen;

6.2.2 indien hy weet dat 'n aanbod wat deur hom as eiendomsagent aan 'n persoon voorgelê is, aanvaar is, of nie teen die vervaldatum daarvan aanvaar is nie, onverwyld die aanbieder van sodanige feit in kennis stel;

6.2.3 sonder onnodige versuim elke kontrakparty voorsien van 'n afskrif van 'n koop- of huurooreenkoms, opsie of mandaat waarby hy as eiendomsagent betrokke is, met dien verstande dat dieselfde ook ten opsigte van 'n aanbod om te koop of te huur van toepassing is indien die aanbieder spesifiek 'n afskrif daarvan versoek.

7. *Verbod op onbehoorlike beïnvloeding*

Geen eiendomsagent mag regstreeks of onregstreeks sonder goeie en genoegsame gronde op enige wyse hoegenaamd, enige party of potensiële party tot 'n voltooide of hangende transaksie, werf, aanmoedig, oorhaal of beïnvloed om gebruik te maak of nie gebruik te maak nie van—

7.1 die dienste van 'n bepaalde prokureur, transportbesorger of prokureurfirma;

7.2 die dienste of finansiële bystand wat deur enige finansiële instelling aan lede van die publiek in die algemeen aangebied word; of

7.3 die finansiële bystand wat deur enige persoon aan sodanige party aangebied word, nie.

8. ***Remuneration***

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No estate agent shall—

8.1 stipulate for, demand or receive directly or indirectly any remuneration, commission, benefit or gain arising from or connected with any completed, pending or proposed contract of sale or lease which is subject to—

8.1.1 a suspensive condition, until such time as that condition has been fulfilled; or

8.1.2 a resolutive condition, during the time that the transaction may fall away as a result of the operation of the said resolutive condition:

Provided that the aforegoing shall not apply if—

(aa) good cause exists; and

(bb) the party liable for the payment of the remuneration, commission, benefit or gain has expressly consented in a written document executed independently of the contract in question, to such payment at any time, notwithstanding the fact that the said contract is subject to a suspensive or resolutive condition, as the case may be; and

(cc) such document contains an explanation of the implications and financial risks for such party of such payment; and

(dd) such document is singed by such party and the estate agent in question;

8.2 convey to his client or any other party to a completed or proposed transaction in which he acted or acts as an estate agent, that he is precluded by law from charging less than a particular commission or fee, or that such commission or fee is prescribed by law, the board or any institute or association of estate agents or any other body;

8.3 introduce a prospective purchaser or lessee to any immovable property or to the seller or lessor thereof, if he knows, or has reason to believe, that such person has already been introduced to such property or the seller or lessor thereof by another estate agent and that there is a likelihood that his client may have to pay commission to such other, or to more than one, estate agent should the sale or lease be concluded through his intervention: Provided that the aforegoing shall not apply if the estate agent has informed his client of such likelihood and obtained his written consent to introduce such party to the property or the seller or lessor thereof;

8.4 include, or cause to be included, or accept the benefit of, any clause in a mandate or in a contract of sale or lease of immovable property, providing for payment to him by the seller or lessor of immovable property, of any remuneration, commis-

8. ***Vergoeding***

Geen eiendomsagent mag—

8.1 direk of indirek enige vergoeding, kommissie, voordeel of wins beding, eis of ontvang wat voortspruit uit of in verband staan met enige voltooide, hangende of beoogde transaksie wat onderworpe is aan—

8.1.1 'n opskortende voorwaarde, totdat sodanige voorwaarde vervul is nie; of

8.1.2 'n ontbindende voorwaarde, gedurende die tydperk waarbinne die transaksie kan verval as gevolg van die werking van genoemde ontbindende voorwaarde nie:

Met dien verstande dat die voorgaande nie van toepassing sal wees nie indien—

(aa) gegronde redes daarvoor bestaan; en

(bb) die partye aanspreeklik vir die betaling van die vergoeding, kommissie, voordeel of wins uitdruklik in 'n skriftelike dokument wat onafhanklik van die betrokke kontrak opgestel is, ingestem het tot sodanige betaling op enige tydstip, nieteenstaande die feit dat die genoemde kontrak onderworpe is aan 'n opskortende of ontbindende voorwaarde, na gelang van die geval; en

(cc) sodanige dokument 'n verduideliking bevat van die implikasies en finansiële risiko's van sodanige betaling vir sodanige party; en

(dd) sodanige dokument deur sodanige party en die betrokke eiendomsagent onderteken is;

8.2 aan sy kliënt of enige ander party tot 'n voltooide of beoogde transaksie ten opsigte waarvan hy as 'n eiendomsagent opgetree het of optree, te kenne gee dat hy regtens belet word om minder as 'n bepaalde kommissie of fooi te hef, of dat sodanige kommissie of fooi deur die reg, die raad of enige instituut of assosiasie van eiendomsagente of enige ander liggaam, voorgeskryf word;

8.3 'n voornemende koper of huurder aan onroerende goed of aan die verkoper of verhuurder daarvan, voorstel nie, indien hy weet, of rede het om te glo, dat sodanige persoon alreeds deur 'n ander eiendomsagent aan sodanige onroerende goed of die verkoper of verhuurder daarvan voorgestel is, en dat daar 'n moontlikheid bestaan dat sy kliënt moontlik aan sodanige ander, of aan meer as een, eiendomsagent kommissie sal moet betaal indien die koop of huurkontrak deur sy tussenkoms gesluit word: Met dien verstande dat die voorgaande nie sal geld nie indien die eiendomsagent sy kliënt oor sodanige moontlikheid ingelig het en sy skriftelike toestemming ontvang het om sodanige party aan die onroerende goed of die verkoper of verhuurder daarvan voor te stel;

8.4 enige bepaling in 'n mandaat of in 'n koop- of huurkontrak van onroerende goed insluit, of laat insluit, of die voordeel van enige sodanige bepaling aanvaar, wat voorsiening maak vir betaling aan hom, deur die verkoper of verhuurder van onroerende sion, benefit or gain arising from or connected with a contract of sale or lease, regardless of the fact whether the purchaser or lessee is financially able to fulfill his obligations in terms of the said contract: Provided that the aforegoing shall not apply if—

(aa) good cause exists; and

(bb) the seller or lessor has, prior to his signature of the contract or mandate (as the case may be) consented in writing in a document executed independently of the said mandate and contract, to such payment; and

(cc) such document contains an explanation of the implications and financial risks for the seller or lessor of such payment; and

(dd) such document is signed by both the estate agent and the seller or lessor;

8.5 include, or cause to be included, or accept the benefit of, any clause in a contract of sale or lease of immovable property negotiated by him, entitling him to deduct from any money entrusted to him in terms of the contract, any remuneration, commission, benefit or gain arising from or connected with such contract: Provided that the aforegoing shall not be so construed so as to prohibit an estate agent from making such deduction when such money is actually paid over by him to the party entitled thereto and such party is in terms of the said contract liable for the payment of such remuneration, commission, benefit or gain.

9. *Trust money and interest*

An estate agent—

9.1 shall not solicit or influence any person entitled to trust funds in the agent's possession or under his control to make over or pay to the estate agent directly or indirectly any interest on moneys deposited or invested in terms of section 32 (1) or 32 (2) (a) of the Act;

9.2 shall, before he receives any money in trust in respect of a contract of sale or lease, disclose to the parties concerned that unless they agree in writing to whom interest earned on such money must be paid, the interest shall, in terms of section 32 (2) (c) of the Act, accrue to the Estate Agents Fidelity Fund;

9.3 shall, if any money is invested by him pursuant to section 32 (2) (a) of the Act or pursuant to an instruction by the party entitled to the interest on money held in trust by the estate agent—

9.3.1 invest such money at the best interest rate available in the circumstances at the bank or building society where he normally keeps his trust account or accounts, and

goed, van enige vergoeding, kommissie, voordeel of wins wat uit 'n koop- of huurkontrak voortspruit of daarmee verband hou, ongeag die feit of die betrokke koper of huurder finansieel in staat is om sy verpligtinge ingevolge genoemde kontrak na te kom nie: Met dien verstande dat die voorafgaande nie van toepassing sal wees nie indien—

(aa) gegronde redes daarvoor bestaan; en

(bb) die verkoper of verhuurder voor sy ondertekening van die kontrak of mandaat (na gelang van die geval) skriftelik in 'n dokument wat onafhanklik van die betrokke mandaat en kontrak opgestel is, tot sodanige betaling ingestem het; en

(cc) sodanige dokument 'n verduideliking bevat van die implikasies en finansiële risiko's van sodanige betaling vir sodanige verkoper of verhuurder; en

(dd) sodanige dokument deur beide die eiendomsagent en sodanige verkoper of verhuurder onderteken is;

8.5 enige bepaling in 'n koop- of huurkontrak van onroerende goed wat deur hom onderhandel is, insluit, of laat insluit, of die voordeel van enige sodanige bepaling aanvaar, waardeur hy geregtig is om van enige geld wat ingevolge die kontrak aan hom toevertrou is, enige vergoeding, kommissie, voordeel of wins wat uit sodanige kontrak voortvloei of daarmee verband hou, af te trek nie: Met dien verstande dat die voorgaande nie so uitgelê moet word dat dit die eiendomsagent belet om sodanige aftrekking te maak wanneer sodanige geld daadwerklik deur hom aan die party wat daarop geregtig is, oorbetaal word, en sodanige party ingevolge die genoemde kontrak vir die betaling van sodanige vergoeding, kommissie, voordeel of wins aanspreeklik is nie.

9. *Trustgeld en rente*

'n Eiendomsagent—

9.1 mag nie enige persoon wat geregtig is op trustfondse in die eiendomsagent se besit of onder sy beheer versoek of beïnvloed om direk of indirek enige rente op geld gedeponeer of belê ingevolge artikel 32 (1) of 32 (2) (a) van die Wet aan die eiendomsagent oor te maak of te betaal nie;

9.2 moet, voordat hy geld ten opsigte van 'n koop- of huurkontrak in trust ontvang, aan die betrokke partye bekend maak dat tensy hulle skriftelik ooreenkom aan wie die rente wat op sodanige geld verdien word, betaal moet word, die rente ingevolge artikel 32 (2) (c) van die Wet die Eiendomsagente-getrouheidsfonds toeval;

9.3 moet, indien enige geld deur hom belê word uit hoofde van artikel 32 (2) (a) van die Wet of ten uitvoer van 'n opdrag gegee deur die party wat geregtig is op die rente op die geld wat deur die eiendomsagent in trust gehou word—

9.3.1 sodanige geld teen die beste rentekoers belê wat in die omstandighede beskikbaar is by die bank of bouvereniging waar hy normaalweg sy trustrekening of -rekeninge hou, en

9.3.2 pay the full amount of the interest which accrued on the investment to the party entitled to such interest, or the board, as the case may be, subject to any written agreement in this regard between him and such party;

58 (89)

9.4 shall not include, or cause to be included, or accept the benefit of, any clause in a contract of sale of immovable property negotiated by him, providing for payment to the seller, prior to registration of transfer of the property in the purchaser's name, of any portion of the purchase price entrusted to the estate agent by the purchaser: Provided that the aforegoing shall not apply if—

(aa) good cause exists; and

(bb) the purchaser has prior to his signature of the contract in question, consented in writing in a document executed independently of the said contract, to such payment; and

(cc) such document contains an explanation of the implications and financial risks of such payment for the purchaser; and

(dd) such document is signed by both the seller and the purchaser and the estate agent in question.

10. ***Confidentiality***

No estate agent shall, without just cause, divulge to any third party any confidential information obtained by him concerning the business affairs, trade secrets or technical methods or processes of a client or any party to a transaction in respect of which he acted as an estate agent.

11. ***Vicarious responsibility***

Every estate agent who is the sole proprietor of an estate agency business or a partner in a partnership or a director of a company or a member of a close corporation contemplated in paragraph (b) of the definition of "estate agent" in section 1 of the Act carrying on the business of an estate agent, shall be held responsible for any contravention of or failure to comply with this code of conduct by any other partner, director, or member or by any estate agent in the service of such sole proprietorship, partnership, company or close corporation, unless he has prior to such contravention or failure to comply taken all reasonable steps to prevent the same and could not in the circumstances have prevented such contravention or failure to comply.

12. Government Notices Nos. R. 1799 of 29 August 1986 and R. 2106 of 3 October 1986 are hereby repealed.

13. This notice will come into operation on **1 April 1993.**

9.3.2 die volle bedrag van die rente wat op die belegging opgeloop het, aan die party wat geregtig is op sodanige rente, of die raad, na gelang van die geval, betaal, onderworpe aan enige skriftelike ooreenkoms in hierdie verband tussen hom en sodanige party;

9.4 mag nie enige bepaling in 'n koopkontrak van onroerende goed wat deur hom onderhandel is, insluit, of laat insluit, of die voordeel van enige sodanige bepaling aanvaar, wat voorsiening maak vir betaling aan die verkoper, voor registrasie van oordrag van die eiendom in die koper se naam, van enige gedeelte van die koopprys wat deur die koper aan die eiendomsagent toevertrou is nie: Met dien verstande dat die voorafgaande nie sal geld nie indien—

(aa) gegronde redes daarvoor bestaan; en

(bb) die koper voor sy ondertekening van die betrokke kontrak, skriftelik in 'n dokument wat onafhanklik van genoemde kontrak opgestel is, tot sodanige betaling ingestem het; en

(cc) sodanige dokument 'n verduideliking bevat van die implikasies en finansiële risiko's van sodanige betaling vir die koper; en

(dd) sodanige dokument deur beide die verkoper en die koper en die betrokke eiendomsagent onderteken is.

10. ***Vertroulikheid***

Geen eiendomsagent mag sonder goeie gronde aan enige derde party enige vertoulike inligting wat deur hom verkry is rakende sake-aangeleenthede, bedryfsgeheime of tegniese metodes of prosesse van 'n kliënt of enige party tot 'n transaksie ten opsigte waarvan hy as 'n eiendomsagent opgetree het, openbaar nie.

11. ***Middellike verantwoordelikheid***

Elke eiendomsagent wat die alleeneienaar is van 'n eiendomsagentskap of 'n vennoot in 'n vennootskap of 'n direkteur van 'n maatskappy of 'n lid is van 'n beslote korporasie bedoel in paragraaf (b) van die omskrywing van "eiendomsagent" in artikel 1 van die Wet wat sake doen as 'n eiendomsagent, sal verantwoordelik gehou word vir enige oortreding van of versuim om te voldoen aan hierdie gedragskode deur enige ander vennoot, direkteur of lid of deur enige persoon in diens van sodanige alleeneienaar-eiendomsagentskap, vennootskap, maatskappy of beslote korporasie, tensy hy voor sodanige oortreding of versuim alle redelike stappe gedoen het om dit te verhoed, en nie onder die omstandighede sodanige oortreding of versuim kon verhoed nie.

12. Goewermentskennisgewings Nos. R. 1799 van 29 Augustus 1986 en R. 2106 van 3 Oktober 1986 word hierby ingetrek.

13. Hierdie kennisgewing tree in werking op **1 April 1993.**

DEPARTMENT OF FINANCE

No. R. 3412 58 **24 December 1992**

FINANCIAL SERVICES BOARD

AMENDMENT OF REGULATIONS UNDER THE INSURANCE ACT, 1943 (ACT No. 27 OF 1943)

The Minister of Finance has, under section 23A read with section 76 of the Insurance Act, 1943 (Act No. 27 of 1943), made the regulations contained in the Schedule.

SCHEDULE

1. In these regulations "the Regulations" means the regulations published under Government Notice No. R. 1285 of 27 August 1965, as amended by Government Notices Nos. R. 252 of 23 February 1968, R. 2036 of 2 November 1973, R. 2489 of 28 December 1973, R. 1442 of 20 August 1976, R. 333 of 1 March 1977, R. 838 of 20 May 1977, R. 1249 of 8 July 1977, R. 2274 of 4 November 1977, R. 947 of 12 May 1978, R. 1631 of 11 August 1978, R. 120 of 26 January 1979, R. 353 of 20 February 1981, R. 396 of 27 February 1981, R. 905 of 24 April 1981, R. 2064 of 2 October 1981, R. 446 of 4 March 1983, R. 2145 of 28 September 1984, R. 81 of 18 January 1985, R. 2117 of 20 September 1985, R. 2324 of 18 October 1985, R. 431 of 14 March 1986, R. 949 of 16 May 1986, R. 2584 and R. 2628 of 12 December 1986, R. 2288 of 16 October 1987, R. 2501 of 9 December 1988, R. 1345 of 30 June 1989, R. 1447 of 7 July 1989, R. 1922 of 1 September 1989, R. 2886 of 29 December 1989, R. 1734 of 27 July 1990, R. 1925 of 17 August 1990, R. 2360 of 27 September 1991, R. 2846 of 29 November 1991, R. 1722 of 26 June 1992, R. 2344 of 21 August 1992 and R. 3179 of 20 November 1992.

2. Regulation 28 of the Regulations is hereby amended—

(a) by the substitution in subregulation (1) for the definition of "n" of the following definition:

" 'n' means, for each separately identifiable constituent of a life policy—

(a) if only C of the numbers A, B and C is applicable to such constituent, C; and

(b) if C and only one or both of the other aforementioned numbers are applicable to such constituent, the smaller or smallest, as the case may be, of such numbers as are applicable;

and for the purposes of this definition—

'A' means the number of years in the premium-paying term, if such term is uniquely defined;

'B' means the number of years in respect of which premiums are payable before the earliest survival benefit (including a surrender value but excluding a disability benefit) of at least a specifically stated or predeterminable monetary amount becomes available; and

DEPARTEMENT VAN FINANSIES

No. R. 3412 **24 Desember 1992**

RAAD OP FINANSIËLE DIENSTE

WYSIGING VAN REGULASIES KRAGTENS DIE VERSEKERINGSWET, 1943 (WET No. 27 VAN 1943)

Die Minister van Finansies het kragtens artikel 23A saamgelees met artikel 76 van die Versekeringswet, 1943 (Wet No. 27 van 1943), die regulasies vervat in die Bylae, uitgevaardig.

BYLAE

1. In hierdie regulasies beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 1285 van 27 Augustus 1965, soos gewysig by Goewermentskennisgewings Nos. R. 252 van 23 Februarie 1968, R. 2036 van 2 November 1973, R. 2489 van 28 Desember 1973, R. 1442 van 20 Augustus 1976, R. 333 van 1 Maart 1977, R. 838 van 20 Mei 1977, R. 1249 van 8 Julie 1977, R. 2274 van 4 November 1977, R. 947 van 12 Mei 1978, R. 1631 van 11 Augustus 1978, R. 120 van 26 Januarie 1979, R. 353 van 20 Februarie 1981, R. 396 van 27 Februarie 1981, R. 905 van 24 April 1981, R. 2064 van 2 Oktober 1981, R. 446 van 4 Maart 1983, R. 2145 van 28 September 1984, R. 81 van 18 Januarie 1985, R. 2117 van 20 September 1985, R. 2324 van 18 Oktober 1985, R. 431 van 14 Maart 1986, R. 949 van 16 Mei 1986, R. 2584 en R. 2628 van 12 Desember 1986, R. 2288 van 16 Oktober 1987, R. 2501 van 9 Desember 1988, R. 1345 van 30 Junie 1989, R. 1447 van 7 Julie 1989, R. 1922 van 1 September 1989, R. 2886 van 29 Desember 1989, R. 1734 van 27 Julie 1990, R. 1925 van 17 Augustus 1990, R. 2360 van 27 September 1991, R. 2846 van 29 November 1991, R. 1722 van 26 Junie 1992, R. 2344 van 21 Augustus 1992 en R. 3179 van 20 November 1992.

2. Regulasie 28 van die Regulasies word hierby gewysig—

(a) deur in subregulasie (1) die omskrywing van "n" deur die volgende omskrywing te vervang:

" 'n' beteken, vir elke afsonderlik uitkenbare onderdeel van 'n lewenspolis—

(a) indien slegs C van die getalle A, B en C op sodanige onderdeel van toepassing is, C; en

(b) indien C en slegs een of albei van die ander voornoemde getalle op sodanige onderdeel van toepassing is, die kleinste getal wat van toepassing is;

en by die toepassing van hierdie omskrywing, beteken—

'A' die getal jare in die premiebetalende termyn, indien sodanige termyn eenduidig omskryf is;

'B' die getal jare ten opsigte waarvan premies betaalbaar is voordat die vroegste oorlewingsvoordeel (met inbegrip van 'n afkoopwaarde maar uitgesonderd 'n ongeskiktheidsvoordeel) van minstens 'n uitdruklik vermelde of vooraf bepaalbare geldelike bedrag beskikbaar word; en

'C' means the greater of 10 and 75 minus age next birthday at entry;

(58)

and means in respect of retirement annuity assurances—

(i) under which there is a stated premium-paying term, the number of years in such term, but limited to the greater of 10 and 66 minus age next birthday at entry;

(ii) under which there is no stated premium-paying term, the greater of 10 and 66 minus age next birthday at entry;"; and

(b) by the substitution for subregulation (5) of the following subregulation:

"(5) A registered insurer may in respect of any domestic life policy only pay commission on a premium or an instalment of premium if such premium or instalment of premium has actually been received by him: Provided that he may in respect of such a policy pay the commission relating to any particular policy year at the commencement of that year in advance of receipt of any instalment of premium for that year on the following conditions:

(a) For the purpose of calculating the amount of the advance commission it shall be assumed that the premium becomes due with the same frequency as the commission; and

(b) if any such instalment remains partially or wholly unpaid, the insurer shall as soon as possible reverse the commission relating to at least the unpaid part or the whole, as the case may be, of such instalment of premium.".

3. Item 1 of the Schedule to regulation 28 of the Regulations is hereby amended by the substitution for paragraph (a) of subitem (1) of the following paragraph:

"(a) *Retirement annuity assurances*

(i) First year's commission of 3 per cent × n × P payable, subject to a maximum of 75 per cent of P.

(ii) Renewal commission, payable after the first year of the policy, of which the value, discounted at 15 per cent per annum to the commencement of the second year, does not exceed 33 1/3 per cent of the first year's commission as determined in (i) above.".

4. These regulations shall come into operation on 1 January 1993.

'C' die grootste van 10 en 75 minus ouderdom volgende verjaarsdag by intrede;

en beteken ten opsigte van aftreejaargeldversekerings—

(i) waaronder daar 'n vermelde premiebetalende termyn is, die aantal jare in so 'n termyn, maar beperk tot die grootste van 10 en 66 minus ouderdom volgende verjaarsdag by intrede;

(ii) waaronder daar nie so 'n vermelde premiebetalende termyn is nie, die grootste van 10 en 66 minus ouderdom volgende verjaarsdag by intrede;"; en

(b) deur subregulasie (5) deur die volgende subregulasie te vervang:

"(5) 'n Geregistreerde versekeraar kan ten opsigte van 'n binnelandse lewenspolis slegs kommissie betaal op 'n premie of 'n premie-paaiement indien sodanige premie of premie-paaiement werklik deur hom ontvang is: Met dien verstande dat ten opsigte van so 'n polis hy die kommissie met betrekking tot 'n bepaalde polisjaar by die aanvang van dié jaar en nog voor ontvangs van 'n premie-paaiement vir die betrokke jaar op die volgende voorwaardes kan betaal:

(a) By die berekening van die bedrag van die voorkommissie word daar veronderstel dat die premie verskuldig raak met dieselfde frekwensie as die kommissie; en

(b) indien enige sodanige paaiement gedeeltelik of in die geheel onbetaald bly, skryf die versekeraar so gou as moontlik die kommissie terug wat betrekking het op minstens die onbetaalde gedeelte van die geheel, al na die geval, van sodanige premie-paaiement.".

3. Item 1 van die Bylae by regulasie 28 van die Regulasies word hierby gewysig deur paragraaf (a) van subitem (1) deur die volgende paragraaf te vervang:

"(a) *Aftreejaargeldversekerings*

(i) Eerstejaarskommissie van 3 persent × n × P betaalbaar, onderworpe aan 'n maksimum van 75 persent van P.

(ii) Hernuwingskommissie, betaalbaar na die eerste jaar van die polis, waarvan die waarde, verdiskonteer teen 15 persent per jaar tot die aanvang van die tweede jaar, nie 33 1/3 persent van die eerstejaarskommissie soos bepaal in (i) hierbo te bowe gaan nie.".

4. Hierdie regulasies tree op 1 Januarie 1993 in werking.

No. R. 3413 **24 December 1992**

REGULATIONS MADE UNDER THE GOVERNMENT SERVICE PENSION ACT, 1973

(250)

AMENDMENT

The Minister of Finance has in terms of section 17 of the Government Service Pension Act, 1973 (Act No. 57 of 1973), made the regulation set out in the Schedule.

No. R. 3413 **24 Desember 1992**

REGULASIES UITGEVAARDIG KRAGTENS DIE REGERINGSDIENSPENSIOENWET, 1973

WYSIGING

Die Minister van Finansies het kragtens artikel 17 van die Regeringsdienspensioenwet, 1973 (Wet No. 57 van 1973), die regulasies vervat in die Bylae uitgevaardig.

'C' means the greater of 10 and 75 minus age next birthday at entry; (58)

and means in respect of retirement annuity assurances—

(i) under which there is a stated premium-paying term, the number of years in such term, but limited to the greater of 10 and 66 minus age next birthday at entry;

(ii) under which there is no stated premium-paying term, the greater of 10 and 66 minus age next birthday at entry;"; and

(b) by the substitution for subregulation (5) of the following subregulation:

"(5) A registered insurer may in respect of any domestic life policy only pay commission on a premium or an instalment of premium if such premium or instalment of premium has actually been received by him: Provided that he may in respect of such a policy pay the commission relating to any particular policy year at the commencement of that year in advance of receipt of any instalment of premium for that year on the following conditions:

(a) For the purpose of calculating the amount of the advance commission it shall be assumed that the premium becomes due with the same frequency as the commission; and

(b) if any such instalment remains partially or wholly unpaid, the insurer shall as soon as possible reverse the commission relating to at least the unpaid part or the whole, as the case may be, of such instalment of premium.".

3. Item 1 of the Schedule to regulation 28 of the Regulations is hereby amended by the substitution for paragraph (a) of subitem (1) of the following paragraph:

"(a) *Retirement annuity assurances*

(i) First year's commission of 3 per cent × n × P payable, subject to a maximum of 75 per cent of P.

(ii) Renewal commission, payable after the first year of the policy, of which the value, discounted at 15 per cent per annum to the commencement of the second year, does not exceed 33 1/3 per cent of the first year's commission as determined in (i) above.".

4. These regulations shall come into operation on 1 January 1993.

'C' die grootste van 10 en 75 minus ouderdom volgende verjaarsdag by intrede;

en beteken ten opsigte van aftreejaargeldversekerings—

(i) waaronder daar 'n vermelde premiebetalende termyn is, die aantal jare in so 'n termyn, maar beperk tot die grootste van 10 en 66 minus ouderdom volgende verjaarsdag by intrede;

(ii) waaronder daar nie so 'n vermelde premiebetalende termyn is nie, die grootste van 10 en 66 minus ouderdom volgende verjaarsdag by intrede;"; en

(b) deur subregulasie (5) deur die volgende subregulasie te vervang:

"(5) 'n Geregistreerde versekeraar kan ten opsigte van 'n binnelandse lewenspolis slegs kommissie betaal op 'n premie of 'n premie-paaiement indien sodanige premie of premie-paaiement werklik deur hom ontvang is: Met dien verstande dat ten opsigte van so 'n polis hy die kommissie met betrekking tot 'n bepaalde polisjaar by die aanvang van dié jaar en nog voor ontvangs van 'n premie-paaiement vir die betrokke jaar op die volgende voorwaardes kan betaal:

(a) By die berekening van die bedrag van die voorkommissie word daar veronderstel dat die premie verskuldig raak met dieselfde frekwensie as die kommissie; en

(b) indien enige sodanige paaiement gedeeltelik of in die geheel onbetaald bly, skryf die versekeraar so gou as moontlik die kommissie terug wat betrekking het op minstens die onbetaalde gedeelte van die geheel, al na die geval, van sodanige premiepaaiement.".

3. Item 1 van die Bylae by regulasie 28 van die Regulasies word hierby gewysig deur paragraaf (a) van subitem (1) deur die volgende paragraaf te vervang:

"(a) *Aftreejaargeldversekerings*

(i) Eerstejaarskommissie van 3 persent × n × P betaalbaar, onderworpe aan 'n maksimum van 75 persent van P.

(ii) Hernuwingskommissie, betaalbaar na die eerste jaar van die polis, waarvan die waarde, verdiskonteer teen 15 persent per jaar tot die aanvang van die tweede jaar, nie 33 1/3 persent van die eerstejaarskommissie soos bepaal in (i) hierbo te bowe gaan nie.".

4. Hierdie regulasies tree op 1 Januarie 1993 in werking.

No. R. 3413 **24 December 1992**

REGULATIONS MADE UNDER THE GOVERNMENT SERVICE PENSION ACT, 1973

(250)

AMENDMENT

The Minister of Finance has in terms of section 17 of the Government Service Pension Act, 1973 (Act No. 57 of 1973), made the regulation set out in the Schedule.

No. R. 3413 **24 Desember 1992**

REGULASIES UITGEVAARDIG KRAGTENS DIE REGERINGSDIENSPENSIOENWET, 1973

WYSIGING

Die Minister van Finansies het kragtens artikel 17 van die Regeringsdienspensioenwet, 1973 (Wet No. 57 van 1973), die regulasies vervat in die Bylae uitgevaardig.

SCHEDULE

Definition

(250)

1. In this Schedule "the Regulations" shall mean the regulations published under Government Notice R. 1062 of 22 June 1973, as amended, and any word to which a meaning has been assigned in the Regulations and the Government Service Pension Act, 1973, shall bear that meaning.

Amendment of regulation 4 of the Regulations

2. Regulation 4 of the Regulations is hereby amended by the insertion of the following subregulation after subregulation (5):

"(6) A member shall continue to contribute to the Fund—

(a) while he is absent on sick or other leave with full or less than full pay;

(b) while he is absent on leave without pay for a period of less than 120 days;

and his contributions during such leave shall be calculated on his full pensionable emolument on the day immediately prior to such leave.".

Amendment of regulation 5 of the Regulations

3. Regulation 5 of the Regulations is hereby amended by the substitution of subregulation (2) by the following subregulation:

"(2) Notwithstanding the provisions of subregulation (1) (c), no period during which a member is absent on leave without pay or is suspended from duty, shall be taken into account for the calculation of a benefit which shall be paid to him in terms of the Act or these regulations, unless he contributed to the Fund in terms of regulation 4 (6) (b) or if such period is reckoned or allowed as pensionable service of such member in terms of regulation 6.".

BYLAE

Woordomskrywing

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing R. 1062 van 22 Junie 1973, soos gewysig, en het 'n woord waaraan in die Regulasies en die Regeringsdienspensioenwet, 1973, 'n betekenis geheg is, daardie betekenis.

Wysiging van regulasie 4 van die Regulasies

2. Regulasie 4 van die Regulasies word hierby gewysig deur na subregulasie (5) die volgende subregulasie in te voeg:

"(6) 'n Lid hou aan om tot die Fonds by te dra—

(a) terwyl hy met siekte- of ander verlof met volle of minder as volle besoldiging afwesig is;

(b) terwyl hy vir 'n tydperk van minder as 120 dae met verlof sonder besoldiging afwesig is;

en sy bydraes gedurende sodanige verlof word op sy volle pensioengewende verdienste op die dag onmiddellik voordat hy met verlof afwesig is, bereken.".

Wysiging van regulasie 5 van die Regulasies

3. Regulasie 5 van die Regulasies word hierby gewysig deur subregulasie (2) met die volgende subregulasie te vervang:

"(2) Ondanks die bepalings van subregulasie (1) (c), word geen tydperk waartydens 'n lid sonder besoldiging met verlof afwesig is of uit sy diens geskors is, by die berekening van 'n voordeel wat ingevolge die Wet of hierdie regulasies aan hom betaal moet word, in berekening gebring nie, tensy hy ingevolge regulasie 4 (6) (b) tot die Fonds bygedra het of sodanige tydperk ingevolge regulasie 6 as pensioengewende diens van bedoelde lid gereken of toegelaat word.".

No. R. 3431 **24 December 1992**

REGULATIONS MADE UNDER THE ASSOCIATED INSTITUTIONS PENSION FUND ACT, 1963

AMENDMENT

The Minister of Finance has in terms of section 2 of the Associated Institutions Pension Fund Act, 1963 (Act No. 41 of 1963), made the regulations set out in the Schedule.

SCHEDULE

Definition

1. In this Schedule "the Regulations" shall mean the Regulations published under Government Notice R. 1653 of 10 September 1976, as amended, and any word to which a meaning has been assigned in the Regulations and the Associated Institutions Pension Fund Act, 1963, shall bear that meaning.

Amendment of regulation 6 of the Regulations

2. Regulation 6 of the Regulations is hereby amended by the substitution in subregulation (6) for the expression "31 days" of the expression "120 days".

No. R. 3431 **24 Desember 1992**

REGULASIES UITGEVAARDIG KRAGTENS DIE WET OP DIE PENSIOENFONDS VIR GEASSOSIEERDE INRIGTINGS, 1963

WYSIGING

Die Minister van Finansies het kragtens artikel 2 van die Wet op die Pensioenfonds vir Geassosieerde Inrigtings, 1963 (Wet No. 41 van 1963), die regulasies vervat in die Bylae uitgevaardig.

BYLAE

Woordomskrywing

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing R. 1653 van 10 September 1976 soos gewysig, en het 'n woord waaraan in die Regulasies en die Wet op die Pensioenfonds vir Geassosieerde Inrigtings, 1963, 'n betekenis geheg is, daardie betekenis.

Wysiging van regulasie 6 van die Regulasies

2. Regulasie 6 van die Regulasies word hierby gewysig deur in subregulasie (6) die uitdrukking "31 dae" deur die uitdrukking "120 dae" te vervang.

DBSA: Less to lend next year

CT 24/12/92 (58)

JOHANNESBURG. — The Development Bank of Southern Africa has lowered its sights on 1992/3 loans because of political uncertainty, violence and recession.

The bank, in a half-year report, said it now expected to disburse R750m in the financial year to next March 31, compared with R950m originally budgeted.

Loan outlays

The slow-down in the political process and the parlous state of the economy have had a noticeable effect on the bank's ability to achieve the levels of disbursement originally envisaged," it said.

Development loan outlays totalled R161m in the first half of the bank's financial year, equal to 38% of the sum budgeted for the period.

The bank was set up in 1983 largely to support development of the country's black tribal homelands, given nominal independence or autonomy by Pretoria under its old policy of racial separation.

The retardation in disbursements is the result of severe budgetary and institutional constraints faced by the borrowers on the bank during this time of uncertain political transition and accompanying violence, precluding them from responsibly accessing loan funding," the bank said.

A bank official said such borrowers tend to be government administrations.

These have suffered from revenue shortfalls caused by recession and they face spending spending cuts, while their lack of full acceptance in black communities have affected their ability to implement projects, analysts say.

Despite the slower than expected outlays by the bank, commitments totalling R931m were approved in the first half for 87 projects, compared with approved pledges of R136m in the same previous year period.

Loan losses

And the quality of the bank's development loan portfolio of R4,17bn at the half year stage remained high, within established risk criteria.

No increase in loan loss provisions, which totalled R15m in the 1991/2 year, was considered necessary at this stage, it said. — Reuter

Cash lands (58) Barprop with a headache

B/DAY 24/12/92.

ANDREW KRUMM

CASH-FLUSH Barlow Rand Properties (Barprop) might face a problem in identifying projects on which to spend its resources in 1993 — given the acute oversupply in the office market and depressed industrial market.

Barprop MD Peter Moses said on Tuesday "until the wheels of industry begin turning, Barprop will not think of adding to an oversaturated office market, nor take part in a lacklustre industrial market. That is unless the investment is tenant-driven." B/DAY

The company would not contemplate either an investment or development that did not give a minimum 11,5% in rental returns, and which was not at least 70% pre-let.

"That leaves only one market really — the residential market. However, if we get into the residential market in 1993, it will be in a small way, and will be an insignificant part of our business."

This left Barprop with the question of how to spread about R80m — R50m in current cash reserves and R30m from planned disposals in 1993 — over the property market.

Moses said holding R50m in the money market in a climate of falling interest rates was "problematic", as property became more expensive as interest rates dropped.

He said Barprop had earmarked about R30m for acquisitive spending in 1993, although none of the projects for which the money had been allocated had been finalised.

Property faces glum prospects

BDAY 28/12/92

(58)

PETER GALLI

THE next year is unlikely to see any impovement in the tough conditions experienced by the commercial and industrial property markets in the past year, leading economists and market sources say.

The failure of the local economy to show any signs of a recovery, combined with the prospect of little growth next year and the likelihood of a continued world recession, hold little short-term hope for the industry.

Economists have said that while the next 12 months will be another difficult period for the industry and property players will have to continue to tighten their belts, there is some light at the end of the tunnel.

"Indications are that the market will start to turn in 1994. The property market follows the economy and will thus be dependent on positive developments there," property economist Neville Berkowitz said.

The present general oversupply of office space was expected to continue next year and an improvement was likely only in 1994, he said.

Rode Report editor Erwin Rode said the past year had been characterised by a substantial drop in demand for office accommodation and the resulting oversupply of space had placed rental levels under pressure.

Mortimer Property Group MD Paul Maddison said over the past year the commercial market had shown absolutely no rental growth. The outlook for next year remained bleak as there were no fundamentals or emerging demand to stimulate rental growth.

Anglo American Property Services (Ampros) chairman Gerald Leissner agreed. He said rents in the commercial market had generally fallen in both nominal and real terms.

"Tenants whose long leases are maturing now are renegotiating their rental levels and these are invariably lower than they had been paying before the lease expired," he said.

Office and industrial tenants were the only people benefiting from the present economic downturn and were taking advantage of the oversupplied markets to get the best deal possible.

As a result, landlords had been forced to offer a variety of incentives other than lower rentals to lure prospective tenants.

The war on rent-free periods had gained momentum when Ampros announced it was offering new tenants 30% off their net rent, in certain buildings, for the first 30 months of a five-year lease signed before December 30. However, the discount excluded operating costs and rates, and lease escalations were believed to be higher than the industry average.

But, in some cases, landlords were keeping space empty rather than finance the relocation and alteration allowances demanded by many tenants, who also wanted to commit to shorter leases.

Developers and investors had also been forced to look for options to traditional markets. The buzzword was niche markets — identifying new growth areas and keeping ahead of the competition.

Health care, smaller office buildings offering corporate identity and neighbourhood shopping centres were all possible growth areas.

The construction industry also took a battering this year as building levels dropped and competition for existing work became increasingly cutthroat, with many players tendering at breakeven point or below.

Credit Guarantee economist Luke Doig said earlier in the year indications were that close to 300 building and construction companies would go to the wall by the year-end.

Corporate insurance rates may jump

ANDREW KRUMM

CORPORATE premium insurance rates could jump by as much as 25% in 1993 in spite of increased competition, industry sources said last week.

Even with hefty premium increases in certain sectors, the short-term insurance industry probably would not achieve 1992 levels of profitability in 1993, Aegis Insurance MD Brian Seach said.

The corporate market was in urgent need of revaluation and a forecast increase in competition between industry players would not prevent upward adjustment.

"Frankly, this is needed. Three factors — poor performance on the JSE, declining interest rates, plus very severe changes in the cost of reinsurance protection and excess of loss premiums — call strongly for drastic increases in commercial rates."

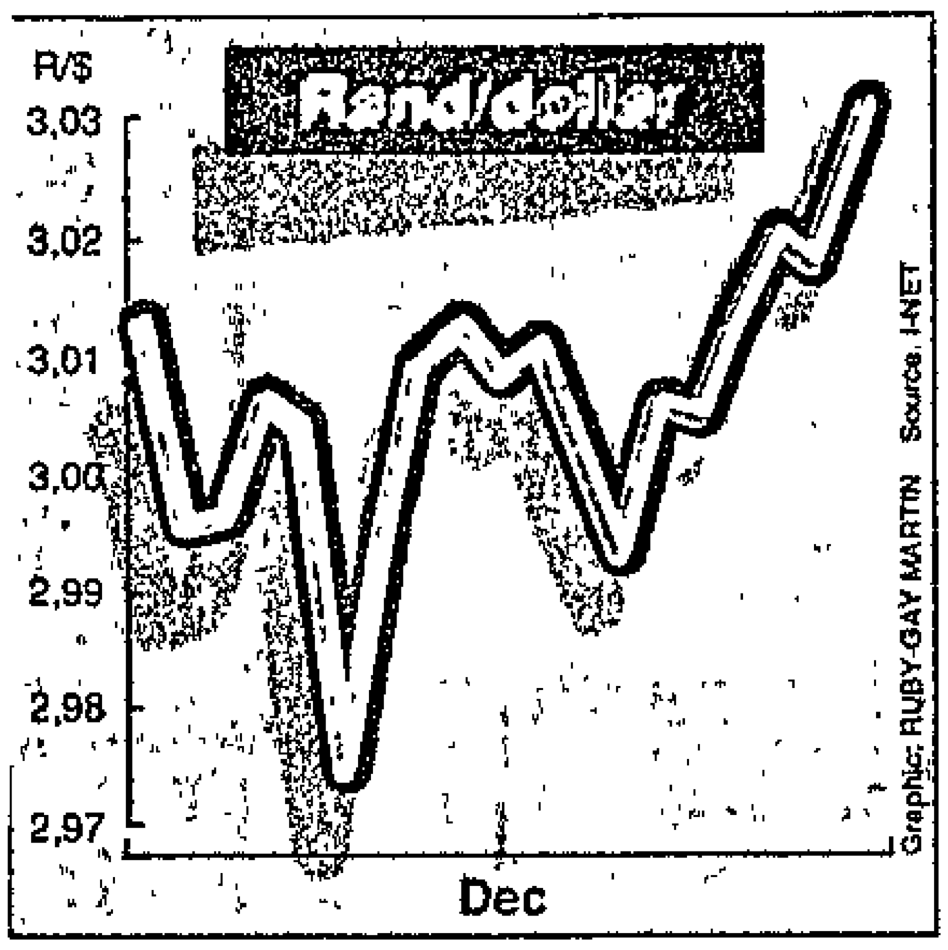
IGI director Terence Maher agreed that insurers would have to look for profitability in underwriting as investment income from the JSE and interest income from the money market dropped off in 1993.

A series of natural disasters around the world was forcing Lloyds and other US and European insurers to reassess risk and adjust their capacity downwards.

Seach said: "The cost of buying excess of loss insurance will escalate by between 40% and 100% depending on risk, market views and past performance."

Seach, who also chairs the SA Insurance Association, said the industry's profitability in 1992 was deceptive as insurers had received a R150m boon from the implementation of VAT.

Maher said further rationalisation was on the cards, with companies "sharpening" their underwriting activities, and the prospect of a few mergers or acquisitions.



Rand reaches new low against dollar

HILARY GUSH (58)

IN QUIET holiday trade, a stronger dollar pushed the commercial rand down to a new low yesterday. 8/0/m

From Thursday's R3,0178 close against the US currency, the local unit slipped to a trough at R3,033 as the dollar surged against the Deutschmark. Later in the day, exporters came into the market and sold dollars at the more attractive higher levels, lending the rand some support. The rand finished at R3,0328. 29/12/92

Dealers attributed the softer rand to technical factors, adding that "as long as expectations of a German interest rate cut persist, the dollar will continue to be well bid, thus pushing the rand weaker".

AP-DJ reports that in New York last night, the dollar rocketed to a three-year high against the pound. After dropping as low as $1,4955, sterling was trading late at $1,50, off from $1,5230. The pound last fell below $1,50 on June 18 1989. The dollar also touched a six-month high of DM1,6235.

The rand's gradual decline is expected to continue next year. In its latest economic profile, the Nedbank economic unit forecasts that in the first two quarters of next year the rand will trade respectively at R3,067 and R3,143 against the dollar, before sliding to R3,253 in the third quarter. Standard Bank's economics division is more bearish, predicting levels of R3,08 and R3,18 against the dollar in the first two quarters, and a level of R3,33 in the third.

Unchanged dividend for Tolux despite drop in profit

58

BDAY 29/12/92.

ROBERT WICKS

DESPITE a 73% drop in net profit, investment company Tolux SA was able to post an unchanged dividend and directors are confident of an improvement in the near future.

Consolidated net profit dropped to \$857 000 (\$3,22m) for the year to end-September 1992.

On a fully diluted basis this amounted to \$0,28 (\$1,05) a share.

Tolux SA maintained its investment of 50% of the capital of the Luxembourg company Finrand Fund Advisory Services SA, which acts as an investment adviser to the Finrand High Yield Fund — a Luxembourg open-ended investment fund which is promoted by the Standard Bank group of SA.

Tolux SA director Quentin Buckland said the main source of the group's income was the fixed interest rate securities market activity of wholly owned subsidiary Tolux Inc.

He said a further restraint on 1992 profit had been the lower level of interest rates at the short-term end of dollar-denominated securities markets.

The company was forced to make a \$235 000 provision out of profit to cover the below cost year-end stockmarket value of a share investment.

Buckland said an unchanged dividend of \$0,35 would be declared in view of Tolux's good continuing level of liquidity.

Net assets amounted to \$16,98m (\$17,65m). This was equivalent to \$5,54 (\$5,76) a share on a fully diluted basis and after provision for the unchanged dividend to ordinary shareholders.

Buckland said the Finrand High Yield Fund had continued to grow in size and now totalled R57m (financial rand).

Tolux's attributable profit from this source was approximately \$13 000 in the year under review.

The Finrand High Yield Fund gives investors outside SA access to the high yields on South African fixed interest securities created by the dual foreign exchange system.

Buckland said Tolux Inc had continued to act as the main investment outlet for the group by concentrating on fixed interest and hedged financial instruments.

FNB boosts income, 'but growth will be difficult'

B/DAY 29/12/92.

(58)

DUMA GQUBULE

FIRST National Bank (FNB) would find it difficult to achieve significant growth in the present year given the worldwide recession, continuing tight monetary policies and political uncertainty, the group said in its 1992 annual review.

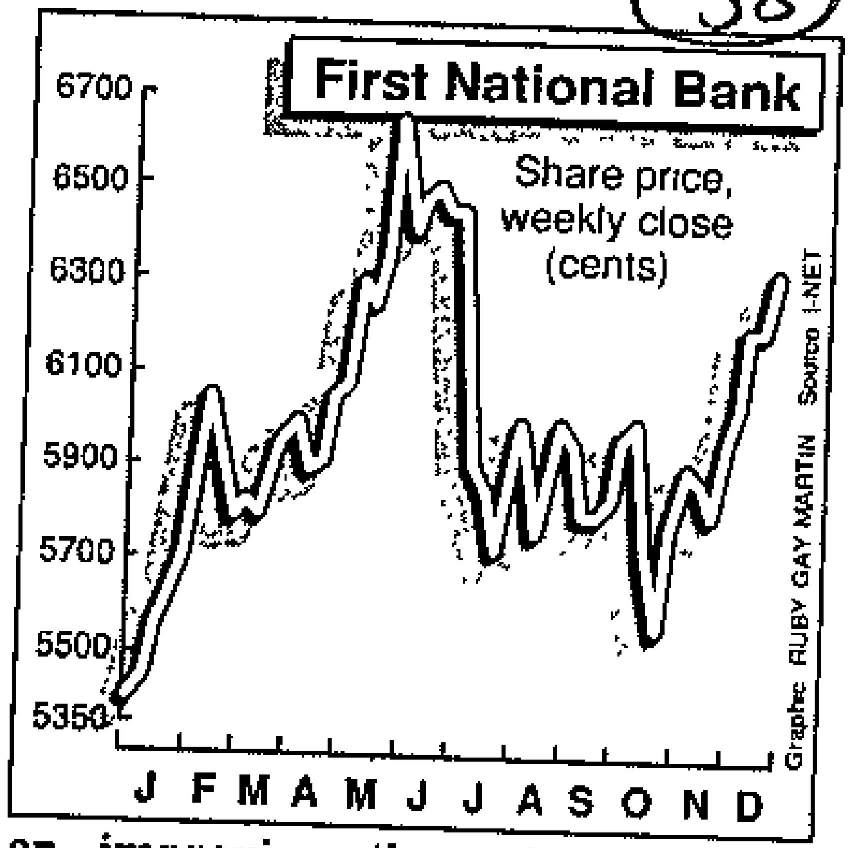
FNB defied the recession, reporting a 24% increase in net income to R479m for the year ended September, despite a hefty 32% increase in bad debt provisions to R347m and a 20% jump in operating expenditure.

In view of the increase in operating expenditure, the bank called for a re-evaluation of the traditional pricing structure of banking services.

This, it said, was needed to reflect more accurately the ever-increasing costs involved in providing a sophisticated branch and autoteller machine infrastructure.

The increase in FNB's operating expenditure needed to be viewed in light of the amount spent on the group's branch automation project and the inclusion of FNB Botswana's costs for the first time.

The bank said it had concentrated on improving the reliability and availability of its systems and services as part of its ongoing quest for quality service.



The expenditure on the development of the group's systems remained strategically important, extensive and unavoidable.

The modern personal computer technology and sophisticated software used in FNB's branch automation programme allowed it to provide quicker and more efficient customer service.

By the end of the financial year 40 branches had been converted to the new branch automation system which gave clients the advantage of on-line processing of their transactions in automated branches.

It was expected that all the group's branches would be fully converted to the new system by 1994. In the second phase, the system would further enhance the possibility of offering outstanding customer service by providing sophisticated product marketing and customer information.

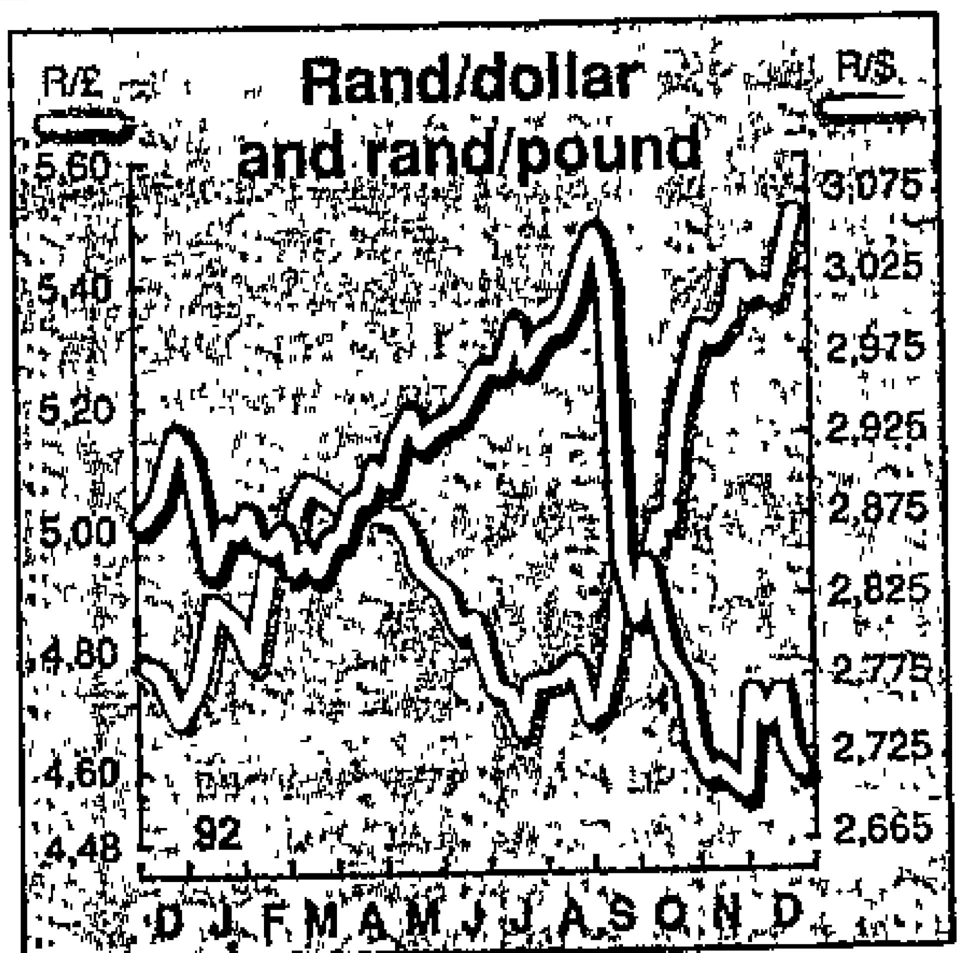
Another feature of the report was FNB's continuing aggressive drive into the home loan market.

The bank said it had grown by 38% in this area, gaining market share despite falling real domestic incomes, rising unemployment and fierce competition.

It said the rapid rate of urbanisation and far-reaching political changes in the country made it necessary for the group to constantly review its role in the home loan market.

The group needed to continue broadening its home loans base through greater involvement in the lower income sector of the market.

FNB was also involved, with other financial institutions, in a pilot project intended to facilitate home ownership in that segment of the market.



Graphic RUBY GAY MARTIN Source I-NET

Rand hits record low as dollar firms

HILARY GUSH

THE commercial rand slumped to a record low against the dollar yesterday as the US currency continued to gain ground on international markets.

From Monday's R3,0328 close the local unit dropped to a low of R3,0655 against the dollar before mild exporter dollar sales pushed the rand back to finish at R3,0636.

Dealers said the Reserve Bank had not intervened to prop up the unit as the rand was seen to be relatively stable against the basket of currencies. They did not expect any Bank intervention in the short term.

Since early November the rand has been hovering around the R3,00 against the dollar level, but economists say the trend is now clearly downwards. (58)

A year ago the rand was trading at R2,7435 against the dollar, compared with yesterday's R3,0633 close. This represents an 11,7% depreciation over the year.

Despite rand weakness against the US currency, the local unit has fared well against the crosses. B/Day 30/12/92

Following the pound's withdrawal from the European exchange rate mechanism in mid-September, the British currency has lost ground against most currencies, including the rand. Towards the end of December last year South Africans had to pay

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Rand slumps

B/Day 30/12/92 (58)

☐ From Page 1

R5,1275 for a pound Yesterday the comparable rate was R4,6035 This translates into a 10,2% appreciation of the rand against sterling.

Some economists say as most of SA's imports are denominated in third currencies, the appreciation of the rand against the pound is favourable in terms of limiting imported inflation.

A weaker rand against the dollar — in which most SA exports are denominated — spells good news for exporters.

However, Sanlam economist Eric Coetzee said as many commodity prices were made on world markets the depreciation of the rand against the dollar "was not helping the SA mining industry as it will not sell more gold just because the rand is weaker". He said the unit's depreciation had very little influence on the price of gold and although rand gold earnings increased with a depreciation of the local currency, it had no affect on the country's foreign exchange earnings

Coetzee said most international trade was dollar-denominated, but traditionally SA had had very strong ties with Britain. "Therefore if the rand appreciates against sterling, as it currently is, local exporters are harmed as their goods become less competitive in Europe."

The financial rand closed yesterday at R4,89 from Monday's R4,92, resulting in a narrowing of the unit's discount to the commercial rand to 37,4% from a previous 38,4%. A year ago the discount was around 14%. Coetzee expected the discount to remain at 30%-40% in the next 12 months

"There is no good reason for the discount to narrow, particularly with expected elections in 1994, which are bound to spur political uncertainty This will mean that foreigners will want to stay away from SA assets, thus putting pressure on the discount to widen," he said.

Liberty Life has sights on US company

ROBERT WICKS

LIBERTY Life CE Donald Gordon yesterday confirmed reports that he had set his sights in 1993 on acquiring a life company in the US. (58)

He declined to comment on any particular intentions. "We are looking at the possibility of assisting the demutualisation of life companies in the US."

Demutualisation conventionally involves floating a company on the stock exchange or privatising it to the extent that control is diverted from mutual policyholders to conventional shareholders.

Gordon said there were about 15 000 life companies in the US, some of which urgently needed an injection of capital. "We feel it is possible to change the status of some of these companies by strategically deploying capital in the new year," he said.

Earlier this week he said he would like to buy a US life company, a large UK life company and a UK property company before he retired.

Broad money supply growth on track

HILARY GUSH

CHANCES of a further easing of monetary policy next year were enhanced yesterday with the release of November's money supply figures, analysts said.

Reserve Bank data showed that growth in the broad money supply kept within the Bank's 7%-10% guideline range for 1992.

Year-on-year growth in M3, which consists of cash in circulation and all deposits with banks, rose to 8,76% in November from the 8,44% — revised down from a preliminary 9,34% — posted in October.

From the base of the guideline year (fourth quarter 1991) M3 growth rose to 9,77% in November from October's 8,21%.

George Huysamer & Partners MD Werner Stals was not surprised by the figure. He said an increase in broad money supply could be expected during November and December as spending increased ahead of Christmas. (58)

Stals said despite the fact that money supply growth remained within the Reserve Bank's guideline range and that the November inflation figure was well down on October's level, he did not expect any immediate change to monetary policy.

However, if the trend of smaller monthly increases in consumer prices was sustained, the authorities would have "more room to relax monetary policy".

He said the new money supply growth targets for 1993, scheduled to be announced in January, would be based on annualised money supply growth in the fourth quarter of this year. Assuming the Bank's present monetary policy stance was maintained, a range of 6%-9% could be expected.

Capital market turns bullish

Hopes rise for a further cut in Bank rate

BDAY 31/12/92

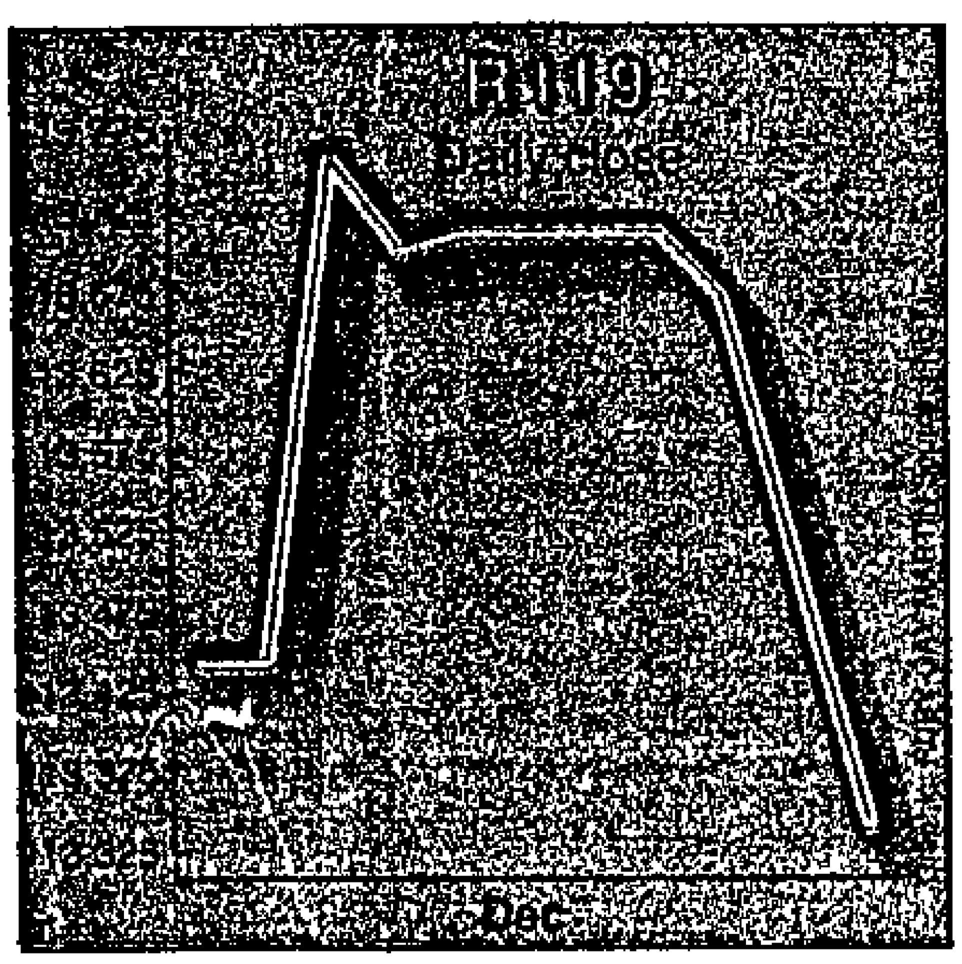
58

GRETA STEYN

BULLISH sentiment gained momentum in the capital market yesterday in a continued response to positive inflation figures as players anticipated a one percentage point cut in Bank rate in the new year.

Sharp falls in interest rates on medium-dated gilts were sparked by the anticipation of lower short-term interest rates, dealers said. Rates on government's R119 plummeted 33 points while other similar-dated stocks declined by a substantial 15 to 20 points.

The movements on the longer-term stocks, the R150 and Eskom's E168, were more muted. However, dealers pointed out these two key rates fell below the benchmark 15% level as rates adjusted to the positive inflation figures.



They said optimism over Bank rate was more likely to be reflected in the medium-dated area rather than the 20-year stocks.

The medium-dated R119 traded at 13,34%, more than 30 points down, while the R150 was last quoted at 14,945% from an overnight 15,085%. The E168 was quoted at 14,95% from a close of 15,085%.

Some dealers said there had been evidence of institutional buying, and they speculated that this would speed up in the new year as players returned to the market. The movements in rates were on small volumes, with one analyst estimating volumes below R100m.

Positive factors for a cut in Bank rate were the fall in inflation to 11% and the moderate growth in the money supply. M3 was this week reported to be comfortably within the Reserve Bank's 7%-10% guideline range.

However, an economist said the balance of payments (BoP) was cause for concern and could counteract positive factors for a Bank rate cut. Recent weakness in the trade surplus and large foreign debt payments were putting pressure on the foreign

□ To Page 2

Bank rate

BDAY 31/12/92

□ From Page 1

exchange reserves, and could see Bank Governor Chris Stals hold off until the situation improved.

The BoP problem would be further aggravated by local companies switching to domestic finance from foreign finance as SA interest rates dropped. This trend was already evident in the third quarter with the Bank reporting in its Quarterly Bulletin that "considerable switching from foreign to domestic trade financing took place in the third quarter of 1992, probably because of the relatively favourable costs of domestic credit". This could be a factor preventing Stals from cutting interest rates if the trade balance did not recover, an economist said.

58

But economists regard the key factor for interest rates as the Budget, which will be released only in March.

Fears of a huge deficit were the main reason for the reversal of the major bull run in the gilts market, with long-term rates climbing back from their low of 13,7% reached in October to recent levels around 15,15%. Analysts are divided over whether the present turnaround signals a correction in a bear trend, or whether it is the start of a new bull run.

House prices stay immune to rate cuts

•BIDAY 31/12/92 (58)

ANDREW KRUMM

A CUT in interest rates would have little effect on house prices, which would wait on a political solution before improving, estate agents said yesterday.

Pam Golding Properties (Tvl) MD Ronald Ennik said: "We have seen interest rates come down a lot over the past year, but this has had little impact on the market."

Confidence in the political situation had everything to do with house prices, Ennik said, but added falling interest rates in 1992 probably buoyed residential property prices, preventing them from plummeting.

"It seems everything these days is based on levels of confidence. House prices are no different and the market is showing its uncertainty. If interest rates came down another notch, this would still not override the uncertainty, and the need for a political solution."

However, Seeff Properties manager Barbara Jacobs was not as bearish about the effects of an interest rate cut on low and reasonably priced housing.

"Another cut in rates will probably spur the lower end of the market. But, if people are to invest in property worth R500 000 and over, there has to be a political settlement."

Echoing Ennik's sentiments, AIDA Real Estate manager Gary Jayes said residential properties were presently undervalued by between 10% and 15%.

"Prices are shocking at the moment. Our December sales were better than we had anticipated, but not in line with sales of two years ago."

Ennik said although December sales were usually slow, this did not mean it was not a good time to sell.

"It comes down to the simple business of supply and demand. In December the supply of property shrinks to about one-sixth of its usual size, while demand contracts by about half."

This meant properties on the market had a greater chance of being sold to more serious buyers, and sellers could realise better prices.

Both Ennik and Jayes said residential property prices in 1993 would not be any better than in 1992. The turn would come only in 1994, provided there was some form of political settlement.

Finance charges on small loans to rise

HILARY GUSH (58)

FINANCE charges on small loans are set to increase after Finance Minister Derek Keys's approval of exemptions on certain money lending transactions.

Trade and Industry director-general Stef Naude said yesterday some loans of less than R6 000 would be exempt from the prevailing maximum prescribed rates of the Usury Act. The present maximum interest charge on loans of up to R6 000 is 30%, while that on loans greater than R6 000 is 27%.

A Trade and Industry Department spokesman said conditions of the exemption would be published in today's Government Gazette.

Naude said the decision had been taken after representation was made to the Law Review Project on behalf of various bodies that wished to make smaller loans "more affordable" and more accessible to the informal business sector.

"In the current climate of continual increase in costs, moneylenders are not as inclined to grant small loans under the restrictive finance charge rates of the Usury Act. Moneylenders are also not prepared to lend money to the informal sectors, unless adequately compensated for the high risk. Such compensation is not possible in terms of the (Act's) current prescribed maximum rates."

FINANCE - GENERAL

January - February

1993

IGI unit trust achieves positive return

STAR 8/1/93.

By Stephen Cranston

58

IGI unit trust achieved a positive return in 1992, outperforming the overall index.

The total return, measured by capital gain and income, was 2,8 percent on the repurchase-to-repurchase price for the year, compared with a minus two percent return from the overall index.

Fund director Peter Linnell says the JSE followed the more positive global trend towards the end of 1992. The global rise in equities was based on hopes of a modest rise in world economic growth this year.

"Market conditions remain fragile in the short term and this warrants a cautious approach," says Linnell.

IGI unit trust, previously known as Safegrot, built up liquidity from 16 percent to 26 percent in the fourth quarter.

Holdings in Barlows, Hunt Leuchars & Hepburn and Sasol were sold. IGI is positive on the electronics sector and bought a maiden 100 000 Fintech shares.

The fund ended the quarter valued at R47,6 million, or 119,57c a unit.

'Blacks still battle to get bank loans'

KATHRYN STRACHAN (58)

FINANCIAL institutions are still reluctant to give loans to black borrowers, and there is little hope of the gulf between banks and black investors being bridged in the near future, says National Stokvel Association of SA president Andrew Lukhele.

Lukhele, quoted in an article in the recently published Portfolio of Black Business 1993, said most financial institutions had often accepted black savings, but until recently had refused to give home or business loans to aspirant black borrowers.

Apart from being unjust, this had severely hampered the development of black business, he said. BIDAY 4/1/93.

Lukhele is leading a campaign to combine the cash clout of stokvels with the sophistication of the stock market to create a basis for improving the climate for home loans for blacks.

Lukhele's idea is for stokvels, which have a default rate of less than 1%, to invest in guaranteed unit trust schemes and for the savings to stand as collateral against loans for housing or business needs.

Lukhele's is not the first attempt to bring informal black savings into the fold of established banking.

After a 1984 survey, which showed that most black savings were being channeled into stokvels, the Perm introduced "club" accounts as a vehicle for stokvel money. After a slow start, the Perm last year registered 85 000 stokvel accounts.

☐ To Page 2

58 ☐ From Page 1

Loans BIDAY 4/1/93

But the stokvels' essential problem remained unsolved. Their members still did not meet the Perm's criteria for borrowing, said Lukhele. "Our members have put money in the bank, but they are still not regarded as being creditworthy."

A recent Markinor survey found that stokvels collected about R84m in 1991, up from R52m in 1989. Membership was up from 680 000 to 1,3-million.

The question now was whether a move from savings accounts to unit trusts would resolve the problem. Lukhele said part of the problem lay with the first-world mindset that had difficulty dealing with something as amorphous as a stokvel where the only contract was a handshake.

In the same article, Syfrets unit trust marketing division manager Kevin Hinton illustrates the difficulty in relating this type of ethic to the stringencies of formal investing. "The problem is that come year-end many stokvels dissolve and the money is used. Nothing is left to invest in unit trusts or anything else. Apart from that, building up collateral is fine, but the man who needs a house needs it now, not in 10 years' time," he says.

MONEY MARKETS by Hilary Gush

Liquidity in the festive season leaves treasurers puzzled

BDM 4/1/93 (47) 58

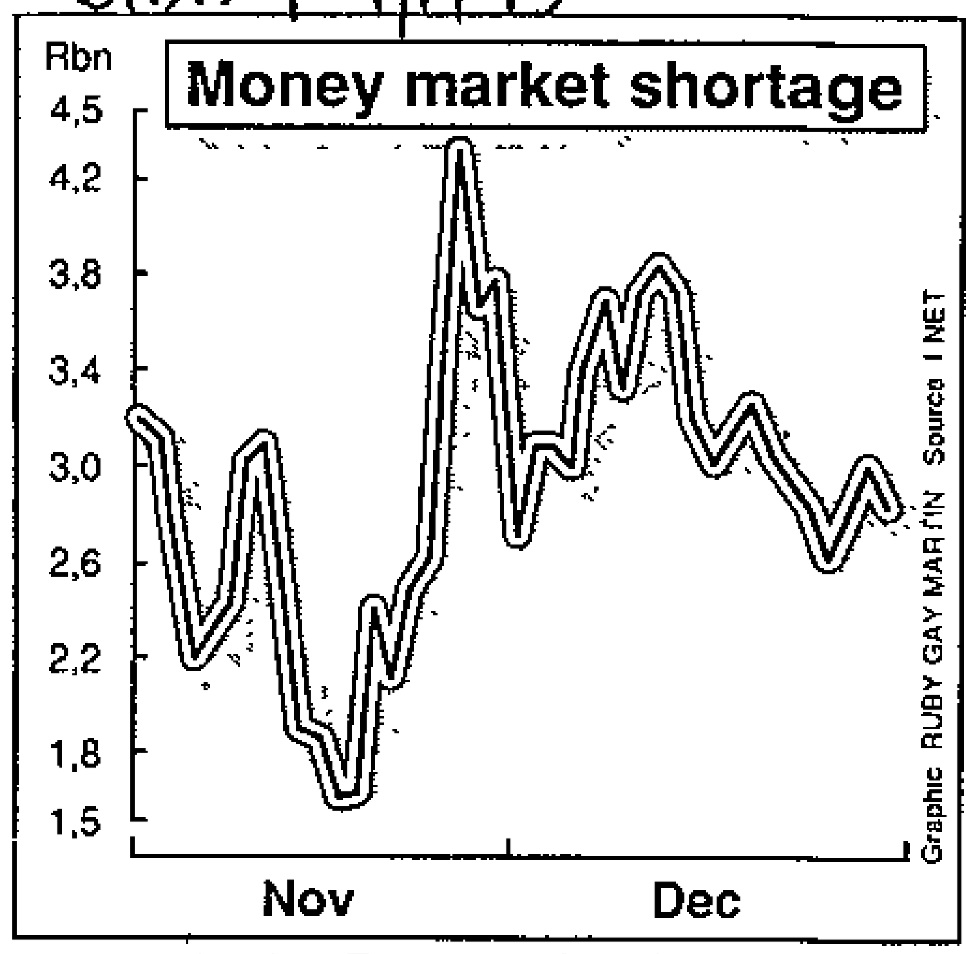
THE money market has been unexpectedly liquid in a month traditionally characterised by high spending levels and an inflated shortage.

With the shortage as high as R3bn in the first three days of the month, most players had expected the market to be drained of all liquidity by mid-month with Reserve Bank assistance reaching R5bn as the new year drew near.

However, the shortage did not pass the R3,9bn mark last month and hovered around the R3bn level. On Christmas Eve, at R2,5bn, the shortage was near its lowest level in the month.

Treasurers expressed surprise at the relative liquidity. Market conditions during the festive season are often tight as cash — in the form of early salaries and year-end bonuses — is taken out of the system and put into the public's pockets.

Reasons put forward for the lower-than-expected shortage were varied. Some dealers said as government spending was traditionally higher in the first and fourth quarters of the fiscal year, government had recently been running down its deposits with the Reserve Bank in order to finance expenditures.



Others argued the Corporation for Public Deposits (CPD) had been buying money market assets throughout the month in a bid to invest before rates came off, as well as help the market. They estimated CPD investment to be worth around R2bn.

However, a senior Reserve Bank spokesman denied claims that the CPD had lent a helping hand to the market, saying that it had been "inactive" in the month. Much CPD-held paper which matured in December meant that on balance the CPD had probably drained a little cash from the system as against adding liquidity.

He said December had been a "mystery month in the market" and an uptick in the shortage to around R4,5bn this week could be expected.

Although players expected the month-end shortage to be higher as year-end tax payments drained market liquidity, at R2,4bn the level on Wednesday was the lowest recorded in the month — down from Tuesday's R2,8bn.

The level of the shortage on New Year's Eve will be released by the Bank today.

Hopes of a Bank rate cut were heightened last week with the release of November consumer inflation and money supply growth data. Consumer prices rose by a year-on-year 11% — down from October's 11,7%. Growth in the broad money supply kept within the Bank's 7-10% guideline range.

If Bank Governor Chris Stals's past monetary stance is anything to go by, hopes of an imminent rate drop can be ruled out. Although he seems prone to bouncing surprises on the market, Stals is cautious and it is unlikely he will cut the rate without looking at the broad economic picture. He may even wait for the release of fourth quarter figures and early Budget proposals before relaxing monetary policy.

In a tired capital market medium-dated gilts came down by as much as 33 points on news of the better inflation figure. Long-dated stocks were less active, coming off 14 points on Wednesday. Dealers said that had the market been fuller, the effect would have been more marked. Some queried whether the dip in rates was the start of a mini-bull run, a correction in the bear trend or whether, in fact, it was mere window-dressing by a few fund managers.

Uncertainty still dominates sentiment, with inflationary expectations still strong, particularly in the light of a possible VAT rate hike and fuel levy increase. The proof will be in the pudding. There is no telling yet what the new year and the Budget will bring.

BANKING margins have started to narrow as borrowers reap the benefits of cheaper money.

The margin — the difference between the cost of raising funds and the rate at which banks lend it out — has fallen from around 5,5% to 4,5% in the last two months, following a cut in the Bank rate to 14%.

Triple A borrowers are able to borrow at up to 2% below prime. Further reductions in the margin are expected as the economy starts to recover.

But because of uncertainty over economic prospects for 1993, banks are keeping a wary eye on bad debts, while borrowers — bruised by years of high interest rates — remain shy of accumulating further debt.

WIDEN

SA banks face a tough year as tight margins and low lending volumes squeeze revenues, but most banks will maintain real earnings growth in 1993 by drawing on reserves built up during the recession.

Banks' margins traditionally widen during recession as the decline in the rate of interest received on loans lags the decline in interest paid to borrowers.

This enables them to build up large bad debt provisions, which can be drawn down as banking margins fall.

Prime lending rates have fallen to 17,25% in recent weeks, compared witho an unchanged three-month bankers' acceptance rate of

By CIARAN RYAN

12,4% — a difference of 4,85%.

The BA rate, one of the key rates at which banks lend to each other, has remained steady at around 12,4% since September, suggesting that the softening demand for credit has bottomed.

Growth in credit extended to the private sector dropped from 15,6% in January 1992 to below 10% in recent months, reflecting the success of Reserve Bank governor Chris Stals's restrictive monetary policy.

The gap between prime and the Bank rate — the rate at which the Reserve Bank lends to the commercial banks — is unchanged at 3,25% S Times (Bus) 3/1/93.

"The margin varies, depending on the funding mix of the bank," says Alan McConnochie, a banking analyst with Ed Hern Rudolph.

"NBS Bank, for example, has a larger proportion of 12-month deposits, so even though lending rates are falling, its cost of funds remains little changed for several months thereafter.

"Other banks have a higher proportion of short-term funding. They can adjust their deposit rates rapidly to reduce their cost of funds."

Reserve Bank figures show a doubling in the total assets of deposit-taking institutions over the last five years to R256-billion, a compound increase of 15% a year. The rate of growth started to slow in 1992.

Jaap Meijer, deputy Reserve Bank governor, says: "There has been a let up in the growth of private sector debt. This is a function of the economic cycle."

GROWTH

Mr McConnochie says: "The banks will take a view of the economy into 1994 and, based on this, will report the kind of earnings they feel will satisfy shareholders.

"Because they have built up reserves during the recession they can smooth their earnings over a period of several years."

He forecasts 20% earnings growth in the year to December 1992 for Stanbic and 18% in 1993, 15% for First National Bank and 17% for Nedcor in the year to September 1993, and 17% for NBS and 15% for Absa for the year to March 1993.

Absa's earnings should rise to 17% or 18% in 1994 "to show people things are going well".

Banks will want to avoid showing excessive profits in 1993 at a time when the country is recovering from the worst recession in more than 80 years.

Mr McConnochie believes that banks are likely to outperform industrials in 1993 in terms of dividend growth. A slow turnaround in the economy will ease pressure on bad debts, allowing banks to make smaller bad debt provisions

Property: mink sector still knee deep in the manure

Star 2/1/93.

58

THE merger of several financial institutions has made ABSA the biggest provider of home loans. It is also the source of the most accurate statistics on the residential market. ABSA economist CHRISTO LUUS outlines the prospects for home buyers and sellers next year.

GIVEN that the drought is broken, that the world economy improves and the political climate does not deteriorate, the South African economy should enter the long-awaited upswing by the second quarter of next year.

These developments should have a positive effect on the property market.

House prices have, in fact, risen by 11,6 percent a year since the official start of the present recession (first quarter 1989), compared with an average decline of 6,5 percent a year in the period June 1984 to June 1986.

Affordability

However, house prices averaged out for 1992 will probably show an increase of only 6 percent over the 1991 average — which is an 8,5 percent decline in real terms.

Affordability of housing is always more important during a recession than during economic prosperity, with prospective home owners relieving economic pressure by scaling down their purchases.

The result is that this recession has had a greater impact on the luxury home market than on the smaller home sector.

This tendency will probably continue over the next few months and a turn-around will only occur after the business cycle has reached its lowest point.

Another recent feature in the housing market is the narrowing of the price gap between new and existing houses.

While building costs rose by more than 20 percent in 1990, this tempo slowed to about 6 percent in the third quarter of 1992. This tendency will probably continue in the short term.

However, it is not expected that prices of existing homes will become cheaper than those of new homes, as in the previous recession. The possible upswing in 1993 could cause building costs to escalate sharply because much of the capacity in the building construction industry has been lost.

Meanwhile, the decrease of about 3,5 percentage points in mortgage rates has already reduced the number of accounts in arrears at banks.

This indicates that more home owners can meet their existing commitments and means there are fewer forced sales on the market, which will relieve downward pressure on house prices.

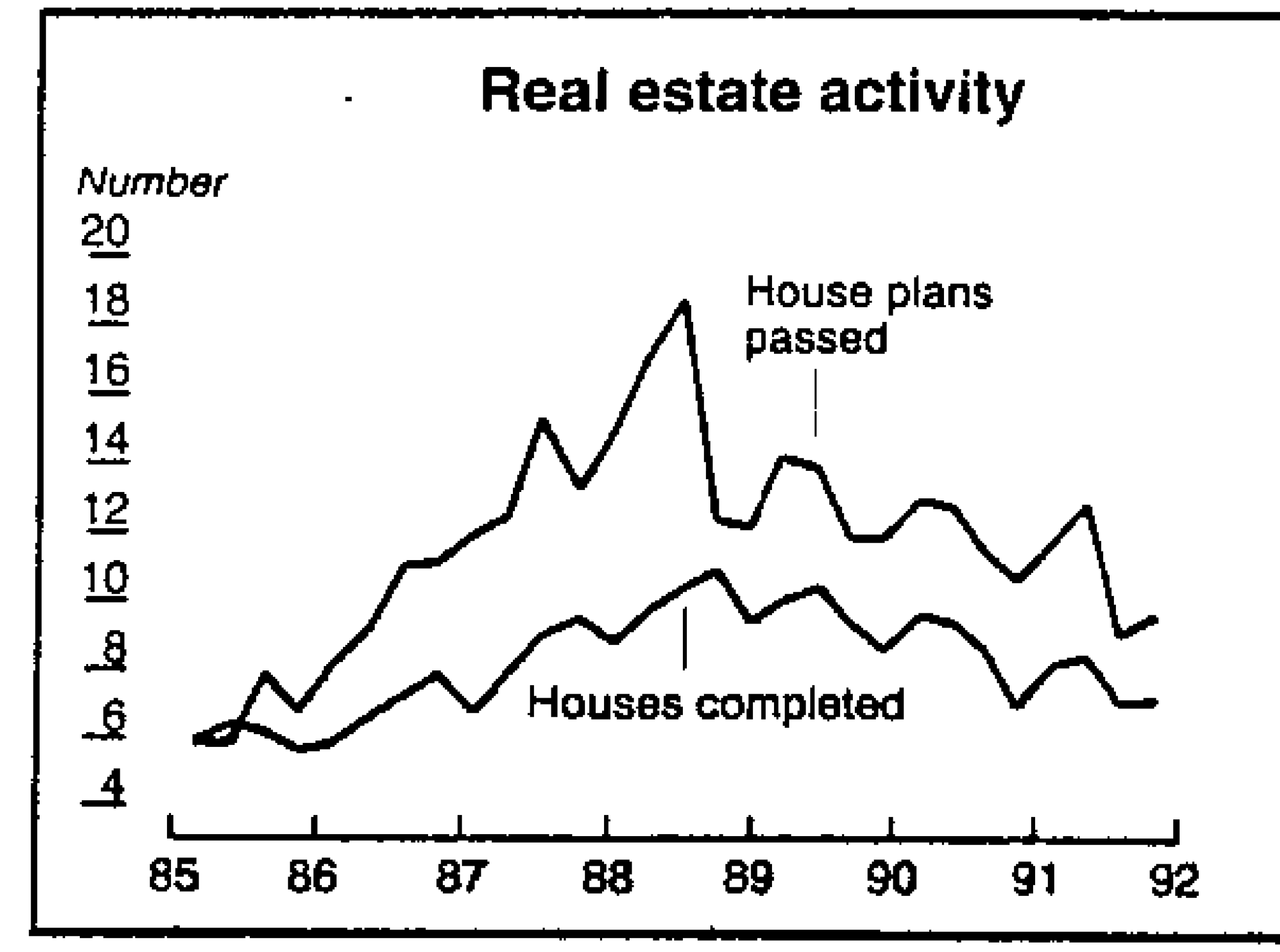
Expectations are that interest rates could decline by a further two to three percentage points during the present interest rate cycle, which will mean further relief on bond repayments.

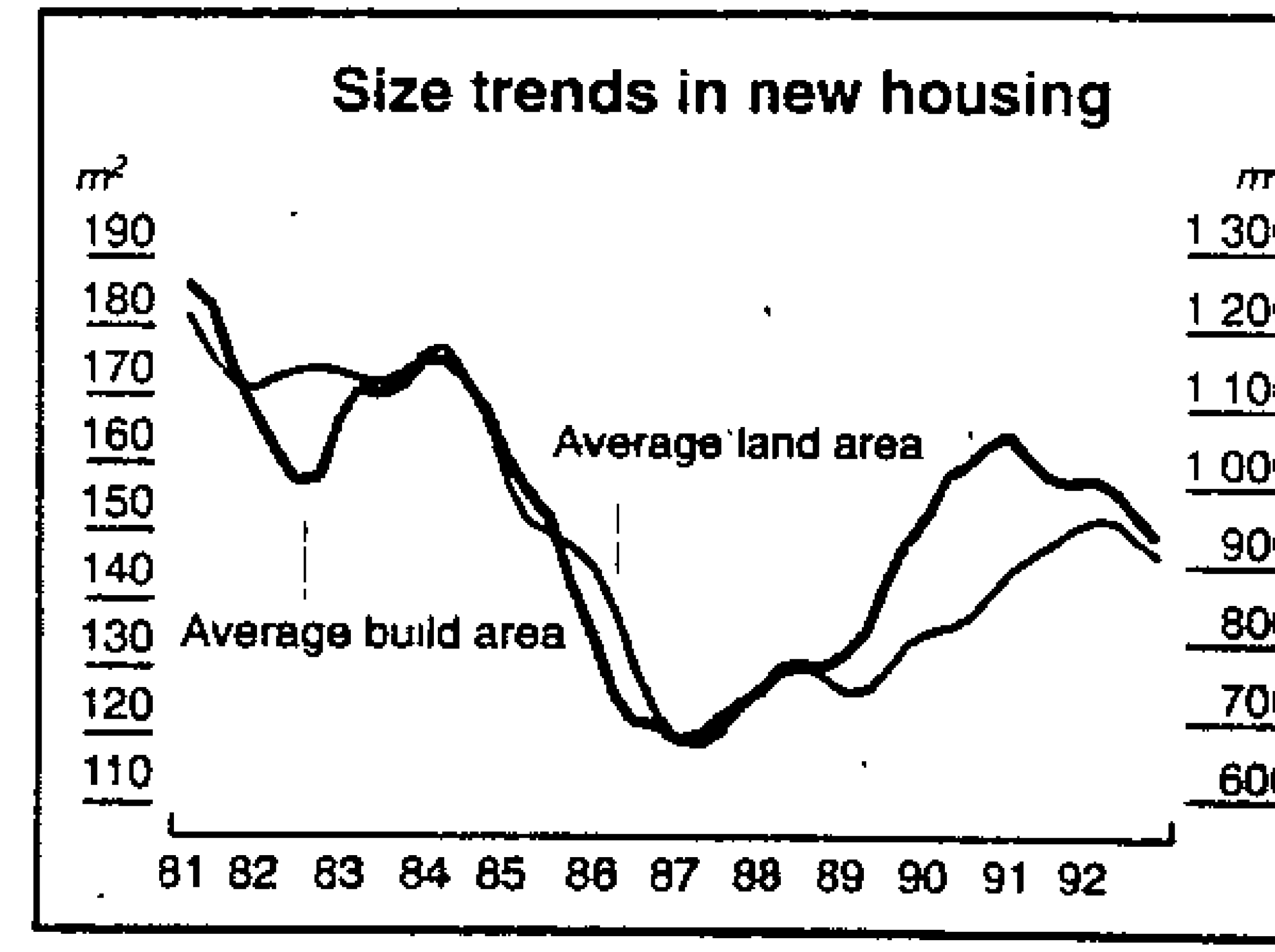
In summary, the house market will probably remain fairly depressed, with prices decreasing during the next two to three quarters, but overall, price increases of about 2 percent under the expected inflation rate of 12 percent next year seems probable.

□ Roy Leigh, Southern Transvaal chairman of the Institute of Estate Agents, says the fact that interest rates are dropping is a positive factor and this, coupled with a considerably lower inflation rate, augers well for 1993.

Sectional title

One of the success notes in 1992 was low-priced sectional-title development in upmarket areas. This trend should continue, and even gain momentum, in 1993 as the buying public demands, more than ever before, value for money.





On the negative side, the unacceptably high level of violence and retrenchments across the spectrum of the workforce are likely to hold back any substantial market upswing until probably the middle of the year.

A considerable number of top executives will be probably still be selling for financial reasons, giving rise to extensive oversupply in the upper price bracket.

It can be expected that low-priced homes in good areas will show an increase in the second half of 1993 and that medium-priced homes will also show a moderate increase then.

Higher-priced properties will fare less well and a decline in real value is most probable until there is a strong overseas investment.

Small loans now more accessible

STAR 2/1/93 (58)

CERTAIN money-lending transactions have been exempted from the provisions of the Usury Act, Finance Minister Derek Keys announced this week. The exemptions, for transactions under R6 000 and not applicable to overdraft banking accounts and credit card schemes, were allowed to enable money-lenders to make smaller loans more affordable.

In a statement, Dr Stef Naude, Director-General of Trade and Industry, said that as a result of the exemptions, smaller loans would also be accessible to the informal business sector.

"In the current climate of continual increase in costs, money-lenders nowadays are not as inclined to grant small loans under the restrictive finance charge rates of the Usury Act," said Dr Naude.

"Money lenders are also not prepared to lend money to the informal sectors, unless they are adequately compensated for the high risk involved.

"Such compensation is not possible in terms of the current prescribed maximum rates of the Usury Act."

He warned, however, that the concession could be revoked if the public was exploited. — Sapa.

A cautious stance on banks and insurers

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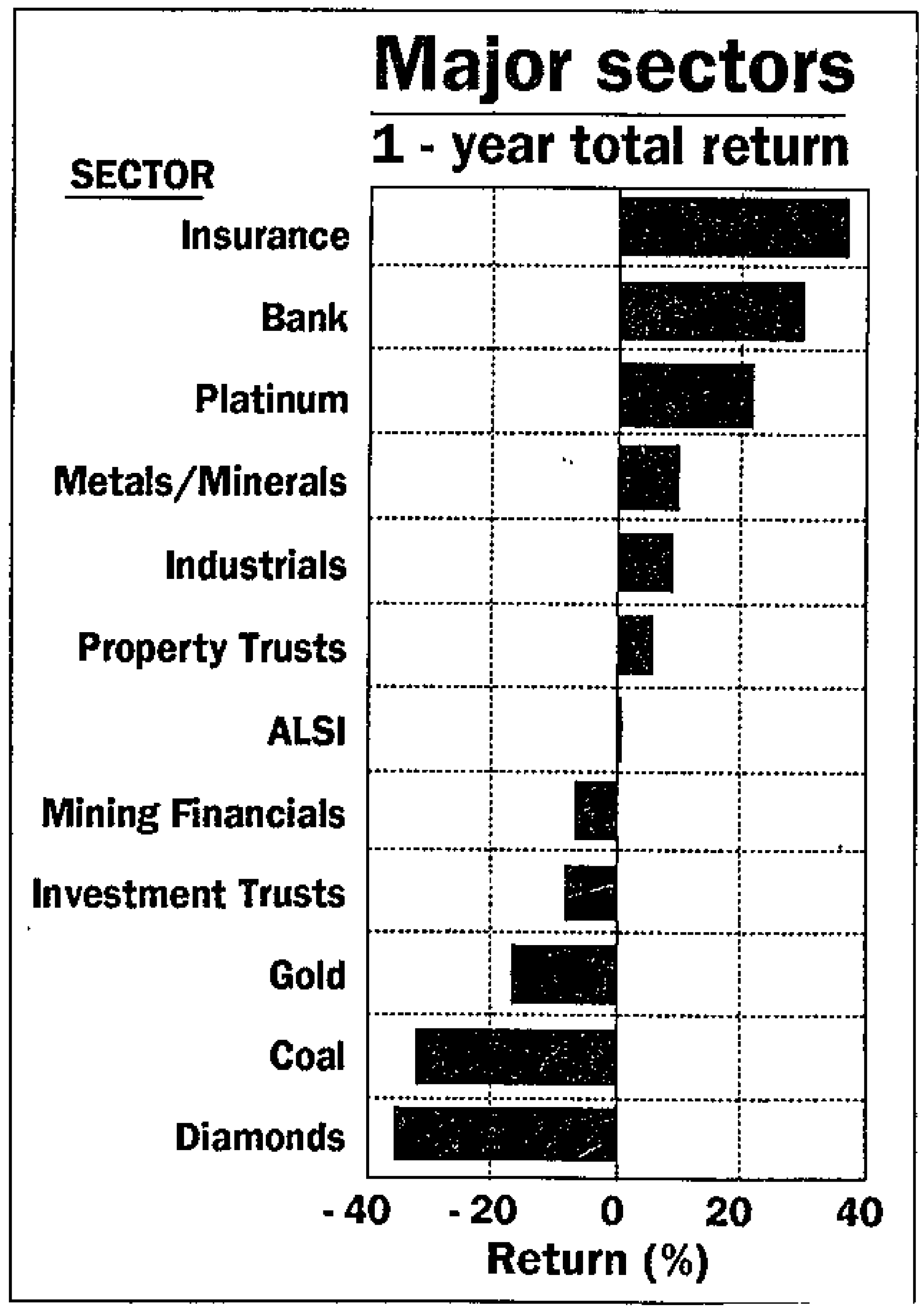
David Southey, banking analyst at Edey, Rogers and Co, suggests banking and insurance shares are unlikely to repeat last year's performance.

STAR 8/1/93.

Outlook '93



At the start of the year it is always difficult to tell whether increases in share prices are signalling investors' views for the new year or whether they have simply been dressed up for fund managers' Christmas shopping displays.

Discounting the latter, the steep increases in prices of assurance and banking shares in the last few weeks of 1992 appeared to be underscoring the bearish outlook of investors for 1993.

Bank and life office shares are generally viewed as defensive investments, to be accumulated ahead of recessions and offloaded at the first whiff of a declining interest rate cycle.

Life office shares are bought because they are steady performers — delivering smooth growth of about 20 percent in earnings and dividends through thick and thin.

Bank earnings rise and fall with the tide of interest rates.

So, in looking forward to 1993, why are well-informed fund managers still pouring policyholders' funds into defensive shares? Are we not on the threshold of prolonged interest rate softening which will lead us out of economic contraction on to the slopes of industrial expansion?

The answer seems to be that the investment community, far from turning optimistic about the economy, is remaining gloomy.

It's not that they don't think the growth in bank profits will fall under declining interest rates and the rising tide of liquidations — they do indeed foresee this — but that the outlook for industrial sector profit growth is even poorer.

Hard look

Fund managers are fallible. Too many were too optimistic about the length and depth of the current recession, believing that economic growth in 1993 would eventually vindicate the market's expensive ratings earlier last year.

Now they may be too pessimistic about prospects for a turnaround — although at this stage it is difficult to support an alternative view. The fact is that a cold hard look at the economic and political horizon does not exactly promote confidence.

Notwithstanding this uninspiring view of the economy this year, it is difficult to see banking and insurance shares repeating 1992's performance.

During the past year investment in these sectors yielded total returns (capital plus dividends) of 37 percent (insurance) and 30 percent (banks) compared with about 9 percent for the industrial sector.

To put performance in perspective, it should be borne in mind that bank accounts for a weighting of roughly 6 percent of the overall index and insurers (short and long) of just over 5 percent.

The recent run in assurance shares in particular places most of them in historically expensive territory. The blue chip Liberty group now looks very pricey — as does its banking associate, Standard — but continues to attract buying interest because of the lure of further special dividends.

At recent prices Liberty Life is trading on a forward yield of 2,3 percent and SBIC of about 2,5 percemt — expensive by any standards.

Fedsure, Metpol and Momentum have all run into historically expensive rating spheres and must be expected to start levelling off on a relative basis.

Southern life looks to be the one undervalued counter in the sector — probably because of a poor investment performance last year.

Among the banks, Nedcor looks decidedly undervalued. Results for the year to September were solid and should have dispelled most rumours surrounding the Perm and potential bad debts.

Underweight portfolios could do a lot worse than picking up a blue chip banking share on a forward yield of over 4,5 percent.

Absa is the other share that looks cheap in the sector. On very modest dividend growth of about 10 percent the share is on a forward yield of close to 5 percent. Trouble is that virtually all the high-profile corporate liquidations hitting the headlines in the last few weeks owe vast sums to Absa.

The major rationalisation benefits will materialise during the next two years, but the news could deteriorate in the interim. Investors should be taking a two-year view on this one.

For the rest, it is difficult to see real value emerging at this stage of the economic cycle. Unless historical trends change significantly, this is the wrong time to be topping up on bank shares.

Unlisted Newport's prospects look good

UNLISTED Newport Property Fund reported a total distribution of 57,05c (48,67c) a unit for the financial year ended September 30, and the fund's propects for 1993 remain relatively good, says the recently released annual report.

The fund was launched by UAL Merchant Bank in mid-1990, and cash commitments to unitholders had risen from R147m in 1991 to R184m last year, the

MADDEN COLE (58)

report said. B|Dm 5/1/93.

Net income after expenses was R14,5m on a gross income of R15,6m, nearly double that of the previous financial year.

UAL Property Fund Managers MD John Peters said prospects for 1993 remained relatively good despite weak demand for new office premises, static rental levels and declining sales.

Fund reports 10,8% return

3/10/74 5/1/93.

MADDEN COL (58)

THE BoE Growth Fund reported a return of 10,8% in 1992, but senior portfolio manager Ryk de Klerk was cautious about prospects for 1993.

He said the return compared favourably with a total return of minus 1,9% for the JSE all share index.

During the December quarter the fund attracted a net inflow of R4m, taking its market value to R74m.

This represented a growth of 33% for the year.

De Klerk said as the fund concentrated on companies whose earnings growth would be faster than the market, it was decided to divest out of De Beers and certain gold shares and instead to invest "in good quality second-liners".

During the December quarter the entire holdings in De Beers, Kinross, Driefontein and Nedbank were sold. New holdings included Fintech, Northam NPLs, Rand Merchant Bank Holdings, Spur and Absa.

The roller-coaster action of the market during 1992 was likely to prevail during early 1993, De Klerk said.

IGI Unit Trust return beats all share index

BDay 5/1/93 (58)

MARCIA KLEIN

IGI Unit Trust fared better than the JSE's all share index in the fourth quarter, enabling it to show a positive return in the year to end-December.

The total return, including capital and income, was up by 2,8% on the repurchase-to-repurchase price for the year.

Fund director Peter Linnell said this was a higher return than that of the all share index, which was 2% down for the year.

Holdings in Barlows, Hunt Leuchars & Hepburn and Sasol were sold, and the trust entered the electronics sector with a maiden purchase of 100 000 Fintech shares.

Linnell said the fund had outperformed the market mainly due to its light exposure to depressed mining stocks.

Only 5,5% of the portfolio was in mining.

Industrials accounted for 59% of the fund and financial shares, which included Stanbic, Investec and Safrican Life, accounted for 9,5%. Rembrandt and Richemont constituted 19% of the total portfolio.

Linnell said the fund concentrated "relatively large chunks of money" in just a few stocks. There were 19 counters in the portfolio at year-end.

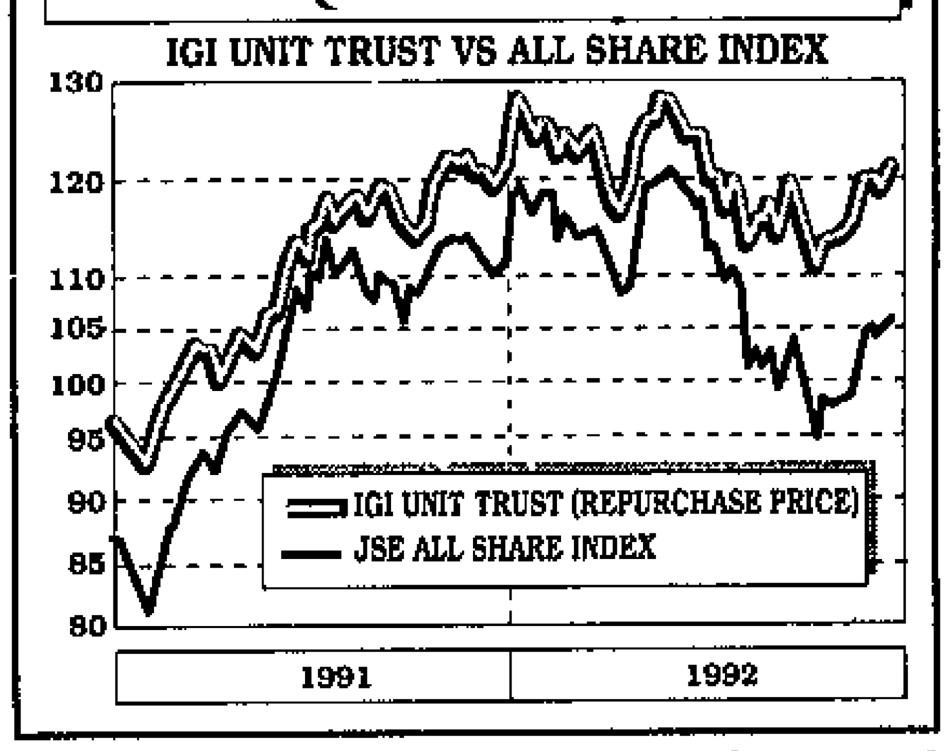
At the end of the fourth quarter, the fund was valued at R47,6m or 119,57c a unit.

Linnell said the trust built up liquidity to 26% from 16% in the last quarter, with cash resources and liquid assets of R12,4m at end-December.

The dividend yield on the current price was 3,59%. IGI Unit Trust, which makes distributions twice a year, paid 1,89c a unit on October 30.

Linnell said the JSE had followed the more positive global stock market trend towards the end of 1992. But he warned that market conditions remained fragile in the short term.

THIRD QUARTER BOUNCE



Good year for unit trusts in Investec stable

STAR 6/1/93.

By Stephen Cranston (58)

Both unit trusts in the Investec stable, the Metfund and the Metboard Income Fund had a good 1992.

The Income Fund recorded a 26 percent return over the past year, while the Metfund outperformed the JSE overall index by a margin of 6,7 percent.

Metfund portfolio manager Steve Mills says that there will be considerable volatility in the coming year, which will demand investor caution.

After a difficult year in the equity market, it is still difficult to spot obvious value, says Mills.

Financial shares, which performed well for the fund during the year, have become rather expensive, though they have good defensive qualities.

Metfund's low exposure to mining shares is likely to be maintained in the first quarter of this year as commodities are not expected to perform well until the third quarter.

The prospect of a resumption of growth in 1994 is expected to keep industrials buoyant in the short term, but the market will become more cautious about their likely earnings growth.

The level of liquidity in the Metboard Income Fund was increased in October in order to protect the fund against the rise in long-term interest rates.

Since then the strategy has been to accumulate gilts in a period of interest-rate weakness and to be positioned for a fall in inflation in 1993.

The fund intends to maintain a relatively high exposure to gilts in order to benefit from any downward move in long-term interest rates over the year as a whole.

16.	Toelating van bote op sleepwaens:	
	A. Per geregistreerde vissersboot	R5,00 per dag; R100,00 per maand.
	B. Per enige ander vaartuig	R10,00 per dag.
17.	Hengel binne 'n vissershawe: Per dag of gedeelte van 'n dag	R1,00.
18.	Smouse:	
	Verkoop van vis, aas of ander artikels:	
	A. Per smous met 'n voertuig, per jaar of gedeelte van 'n jaar	R210,00.
	B. Per smous sonder 'n voertuig, per jaar of gedeelte van 'n jaar	R54,00.
19.	Gebruik van visskoonmaakgeriewe: Per tafel, per persoon, per dag of gedeelte van 'n dag	R10,00.
20.	Verkoop van vis binne 'n visskoonmaakskuur: Per perseel, per maand of gedeelte van 'n maand	R60,00.
21.	Oprigting en vertoon van advertensieborde:	
	A. Per vierkante meter advertensiebord: Spasie of gedeelte van sodanige spasie, per jaar	R50,00.
	B. Per vierkante meter advertensiebord: Spasie of gedeelte van sodanige spasie per maand	R10,00.
22.	Vervoer per vaartuig van passasiers, pos, goedere of materiaal binne of vanaf 'n vissershawe: Per vaartuig per jaar of gedeelte van 'n jaar	R750,00.
23.	Per vaartuig of voertuig wat as restaurant of kiosk, vermaaklikheidsplek, of as winkel gebruik word: Per maand of gedeelte van 'n maand	R200,00.
24.	Waar gelde vir 'n jaar of maand of 'n gedeelte van 'n jaar of maand voorgeskryf word, strek sodanige periode van 1 Januarie tot 31 Desember van 'n kalenderjaar of van die eerste dag tot die laaste dag van die maand en is sodanige gelde vooruitbetaalbaar: Met dien verstande dat 'n permit of kaartjie wat uitgereik is ingevolge die regulasies uitgevaardig kragtens die Wet, en waarvan die geldigheidsduur by die inwerkingtreding van 'n wysiging daarvan nog nie verstryk het nie, geag word 'n geldige permit of kaartjie uitgereik ingevolge hierdie Bylae, te wees.	
25.	Vir die doel van hierdie Bylae beteken die uitdrukking 'normale diensure'—	
	Maandae tot Vrydae (uitgesonderd openbare vakansiedae)	07:45 tot 6:15.
26.	Waar gelde vir 'n week of gedeelte van 'n week voorgeskryf word, strek sodanige tydperke vanaf Sondag tot Saterdag.".	

DEPARTMENT OF FINANCE

No. R. 4 **8 January 1993**

CORRECTION NOTICE

CUSTOMS AND EXCISE ACT, 1964

AMENDMENT OF SCHEDULE No. 1 (No. 1/1/528)

Government Notice No. 3048 in *Government Gazette* No. 14370 of 6 November 1992 the Afrikaans text is hereby amended to read as follows: "Wysiging van Bylae No. 1 (1/1/528)".

No. R. 6 58 **8 January 1993**

FINANCIAL SERVICES BOARD ACT, 1990
(ACT No. 97 OF 1990)

REGULATIONS IN RESPECT OF APPEALS TO BOARD OF APPEAL (SECTION 26)

The Minister of Finance has under section 26 (2) of the Financial Services Board Act, 1990 (Act No. 97 of 1990), made the regulations in the Schedule.

DEPARTEMENT VAN FINANSIES

No. R. 4 **8 Januarie 1993**

VERBETERINGSKENNISGEWING

DOEANE- EN AKSYNSWET, 1964

WYSIGING VAN BYLAE No. 1 (No. 1/1/528)

Goewermentskennisgewing No. 3048 in *Staatskoerant* No. 14370 van 6 November 1992 moet die aanhef hiermee gewysig word om soos volg te lees: "Wysiging van Bylae No. 1 (1/1/528)".

No. R. 6 **8 Januarie 1993**

WET OP DIE RAAD OP FINANSIËLE DIENSTE, 1990
(WET No. 97 VAN 1990)

REGULASIES TEN OPSIGTE VAN APPÈLLE NA APPÈLRAAD (ARTIKEL 26)

Die Minister van Finansies het kragtens artikel 26 (2) van die Wet op die Raad op Finansiële Dienste, 1990 (Wet No. 97 van 1990), die regulasies in die Bylae uitgevaardig.

SCHEDULE

(58)

Definitions

1. In these regulations any word or expression to which a meaning has been assigned in the Act, shall bear the meaning so assigned to it and, unless the context otherwise indicates—

"board of appeal" means the board of appeal established by section 26 (1) of the Act;

"business day" means any day except a Saturday, Sunday or public holiday;

"secretary", in relation to the board of appeal, means the person referred to in section 26 (1A) of the Act;

"the Act" means the Financial Services Board Act, 1990 (Act No. 97 of 1990).

Appeals to board of appeal

2. Any person aggrieved by a decision by the executive officer under a power conferred or a duty imposed on him by or under this Act or any other law, and who wishes to appeal against such decision to the board of appeal, shall within ten business days after the date of the decision in writing note an appeal against the decision by submitting a document to the secretary of the board of appeal containing—

(a) particulars of the appellant, including his or its telephone numbers, residential and business address;

(b) particulars of the decision against which an appeal is noted,

and shall be accompanied by payment of the amount of one hundred rand (R100).

3. The secretary of the board of appeal shall without delay furnish a copy of the document referred to in regulation 2 to the executive officer.

4. The executive officer shall within one month of receiving the copy referred to in regulation 3, furnish the reasons for the relevant decision against which an appeal is lodged in writing to the secretary of the appeal board, who shall without delay remit a copy thereof to the appellant concerned.

5. The appellant shall within one month of the date of receipt of the written copy of the reasons for the relevant decision, referred to in regulation 4, deliver a notice of appeal to the secretary of the board of appeal, which notice shall contain full particulars of the grounds of appeal.

6. The secretary of the board of appeal—

(a) shall furnish a copy of the notice of appeal referred to in regulation 5 to the executive officer;

(b) shall prepare a record (if any) of the proceedings during which the decision under appeal was taken, and furnish the appellant with a copy thereof; and

(c) shall after the date, place and time for the hearing of the appeal has been fixed in terms of section 26 (6) of the Act, submit the originals of the documents referred to in these regulations to the board of appeal.

BYLAE

Woordomskrywings

1. In hierdie regulasies het enige woord of uitdrukking waaraan 'n betekenis in die Wet geheg is, die betekenis aldus daaraan geheg en, tensy uit die samehang anders blyk, beteken—

"appèlraad" die appèlraad ingestel by artikel 26 (1) van die Wet;

"besigheidsdag" enige dag behalwe 'n Saterdag, Sondag of openbare feesdag;

"die Wet" die Wet op die Raad op Finansiële Dienste, 1990 (Wet No. 97 van 1990);

"sekretaris", met betrekking tot die appèlraad, die persoon bedoel in artikel 26 (1A) van die Wet.

Appèlle na appèlraad

2. Iemand wat hom veronreg voel deur 'n besluit van die uitvoerende beampte kragtens 'n bevoegdheid hom verleen of 'n plig hom opgelê by of kragtens die Wet of 'n ander wet, en wat teen daardie besluit na die appèlraad wil appelleer, moet binne tien besigheidsdae na die datum van die besluit skriftelik appèl teen die besluit aanteken deur die voorlegging aan die sekretaris van die appèlraad van 'n dokument bevattende—

(a) besonderhede van die appellant, met inbegrip van sy telefoonnommers, huis- en besigheidsadres;

(b) besonderhede van die besluit waarteen appèl aangeteken word,

en moet vergesel gaan van betaling van die bedrag van eenhonderd rand (R100).

3. Die sekretaris van die appèlraad moet onverwyld 'n afskrif van die dokument bedoel in regulasie 2 aan die uitvoerende beampte verstrek.

4. Die uitvoerende beampte moet binne een maand na ontvangs van die afskrif in regulasie 3 bedoel, skriftelik die redes vir die betrokke besluit waarteen appèlleer word aan die sekretaris van die appèlraad verstrek, wat sonder versuim 'n afskrif daarvan aan die betrokke appellant stuur.

5. Die appellant moet binne een maand na die datum van ontvangs van die skriftelike afskrif van die redes vir die betrokke besluit, bedoel in regulasie 4, 'n kennisgewing van appèl by die sekretaris van die appèlraad indien, welke kennisgewing 'n volledige uiteensetting van die gronde van appèl moet bevat.

6. Die sekretaris van die appèlraad—

(a) moet 'n afskrif van die kennisgewing van appèl bedoel in regulasie 5 aan die uitvoerende beampte verstrek;

(b) moet 'n rekord (as daar is) van die verrigtinge waartydens die besluit onder appèl geneem is, voorberei, en 'n afskrif daarvan aan die appellant verstrek; en

(c) moet nadat die datum, tyd en plek van die aanhoor van die appèl ingevolge artikel 26 (6) van die Wet bepaal is, die oorspronklikes van die stukke in hierdie regulasies vermeld, aan die appèlraad voorlê.

RMS PROPERTY Fm 8/1/93.

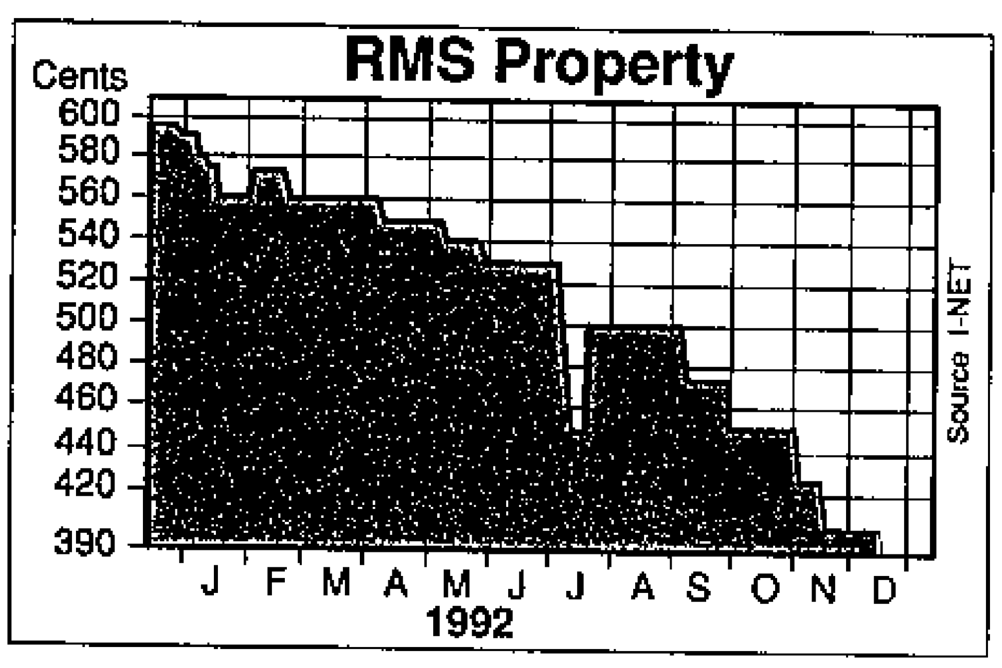
Rental dilemma (58)

Activities: *Property investment holding company.*
Control: *SA Mutual Life 56,6%.*
Chairman: *P C M Gerard.*
Capital structure: *39,7m ords. Market capitalisation: R159m.*
Share market: *Price: 400c. Yields: 16,5% on dividend; 16,6% on earnings; p:e ratio, 6,0; cover, 1,0. 12-month high, 595c; low, 400c. Trading volume last quarter, 113 000 shares.*

Year to Sep 30	'89	'90	'91
ST debt (Rm)	0,14	—	—
LT debt (Rm)	18,8	10,8	0,3
Debt:equity ratio	0,10	—	—
Shareholders' interest	0,81	0,88	0,93
Int & leasing cover	4,6	10,1	25,3
Return on cap (%)	12,0	11,8	13,0
Turnover (Rm)	17,7	30,4	32,1
Pre-int profit (Rm)	15,8	26,6	27,6
Pre-int margin (%)	89,4	87,4	86,1
Earnings (c)	†56,9	†59,6	†66,2
Dividends (c)	†56,85	†66,49	†66,16
Net worth (c)	495,5	497,7	497,6

† Per linked unit including interest payment per debenture.

To charge high rentals and accept vacant premises or to let at below cost and have a low vacancy factor? That is the decision which an increasing number of property owners face. RMS is no exception.



Three-quarters of the second-largest building in its portfolio, Centro City, fell vacant due to the consolidation of First National Bank in Bank City and the movement of ISM to alternative premises. The building has since been re-let to Absa Bank but at a lower rental. The property was vacant for most of the second half of the financial year, depressing EPS. Chairman Peter Gerard hopes the shortfall in income will not recur.

At year-end, RMS had a vacancy factor of 10,48%, which has since contracted further, allowing for an increase in income in financial 1993. Against this, Gerard points out that if the economy continues to weaken and should further tenants in the portfolio properties be placed in liquidation, income will obviously drop.

The property market lags the economy by six to nine months, so no major increase in income through reversions or new rentals at higher levels is expected before the next year-end. Gerard remains "cautiously optimistic" for next year.

The share price has been on a downward slope for the better part of the year. Gerard believes it is because of a single seller and that once this seller moves out of the market, the share should stabilise. At R4, the earnings yield is above the 11,5% average for the property loan stock sector, but the counter offers a high and probably secure dividend yield.

Kate Rushton

FM 8/1/93.

(49) (58)

FINANCIAL MARKETS

Two step

Two forces are at work in the money and capital markets. On the one hand, falling inflation is improving prospects of lower interest rates (see P27); on the other, expectations that the State deficit in fiscal 1992/1993 will be almost double the budgeted R16bn, and concern about the balance of payments is restraining bullish sentiment.

The more relaxed view is expected to prevail in the short term, especially in the money market where demand for credit remains flat. Despite a recent uptick in key rates — on the weekly Treasury bill tender and bankers' acceptances — last year's downward trend is expected to continue. The recent rise related to seasonal factors.

The BA rate is strongly influenced by short-term bank deposit and 90-day TB rates, both of which provide options:

□ Banks were expecting large deposit outflows in December as tax payments and forex outflows were set to take place during the month. As a result, deposit rates were increased and the rise in the BA rate followed in line. The shortage in the money market last month started at R2,7bn, hit a low of R2,4bn, peaked at R3,8bn, and ended the month at R3,7bn. In 1991 the low was R519m and the high R2,7bn; and

□ 91-day TB rates rose last month as the demand for the paper dropped due to an absence of buyers.

In the first 11 months of last year, however, the general pattern of rates in the money market declined.

The BA started the year at 16,35%. It dropped consistently, bottoming at 11,8% for three days in late November (though it has since moved back into the 12% range). The 91-day TB rate, which began the year at 16,09%, declined to 11,67% in November (but is now at 12,1%).

The declines were a response to a lacklustre year when businesses were reluctant to borrow and portfolio managers chose to keep a significant portion of their funds in cash. A further fall in Bank rate, probably one percentage point, is expected before the end of the first quarter.

In the present situation, liquidity may overflow into the bond market. Standard Bank treasury head John Lloyd says: "As returns fall in the money market, investors are likely to buy in the short-to-medium-end of the bond market."

The capital market was in a bull run from February to October, in line with falling inflation. The rate on the benchmark E168 was 16,48% in February (see graph) and

Continue →

 FM 8/1/93. (49) (58)

then started a downward trend, reaching a nadir of 13,7% in October. However the rate moved up sharply in October as concern grew about the dimensions of the budget deficit. It is now trading at marginally above 15%.

As the March Budget approaches, and fears about the size of public-sector borrowing requirement for the next fiscal year become acute, sentiment in the bond market will become more negative. So the recent rise may continue through the first quarter. ■

FM 8/1/93 (58)

NEDCOR

Gaining a fairer rating

Activities: *Banking and related financial services.*
Control: *Old Mutual (52%).*
Chairman: *J B Maree; MD: C F Liebenberg.*
Capital structure: *192,9m ords. Market capitalisation: R3,231bn.*
Share market: *Price: 1 675c. Yields: 3,9% on dividend; 12,8% on earnings; p:e ratio, 7,8; cover, 3,3. 12-month high, 1 900c; low, 1 375c. Trading volume last quarter, 3,2m shares.*

Year to Sep 30	'89	'90	'91	'92
Total assets (Rbn)	29,7	35,1	41,6	47,3
Advances (Rbn)	20,2	24,4	30,8	34,7
Deposits (Rbn)	24,4	28,9	35,4	40,6
Operating profit (Rm)	493	664	821	992
Bad debt prov (Rm)	n/a	158	233	238
Attrib profit (Rm)	251	287	344	408
Return on assets (%)	0,86	0,82	0,83	0,86
Return on equity (%)	18,2	17,3	17,9	17,7
Earnings (c)	138	154	185	215
Dividends (c)	46	51	57	66
Net worth (c)	758	891	1 031	1 214

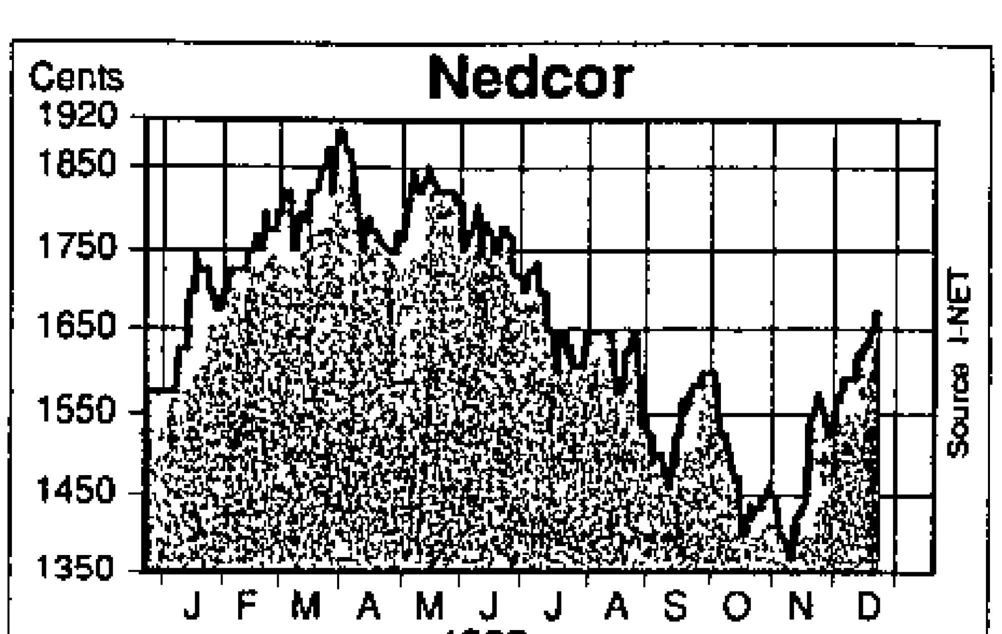
Viewing the gyrations in Nedcor's share price over the past year, against results achieved, suggests "investment decisions" during this period have been based more on market jitters than rational thinking.

After starting calendar 1992 at 1 580c, the share reached a high of R19 at end-March and then, for the next seven months, fell precipitously to a year's low of 1 375c. The recovery since the beginning of November has brought the price back up to 1 375c; since then it has reached 1 675c, for a net gain of 6%, or about half the rise in the Banking Sector index over the period.

Against this, Nedcor reported a 15% improvement in interim earnings (covering the six months to end-March), which gain was extended to 19% by the year-end. This was considerably better than envisaged by the *FM* at the start of the year when — despite assuming the economy would be more buoyant than it was — an earnings improvement in the 10%-15% range was anticipated.

Two reasons stand out as having contributed to this outcome: interest rates remained high for longer than expected (thereby minimising the usual squeeze on banking margins during periods of declining rates); and the group was not, like some competitors, obliged to accelerate provisions against doubtful debts.

Last year's charge against profits in respect of doubtful debts rose only R5m to



Nedcor's Liebenberg ...
restructure of banking assets

R238m. This was partly because 1991's provisions were abnormally high, particularly at the Perm, which accounted for the major portion of the increase that year. In 1992, however, the charge against the Perm's profits moderated to R80m (1991: 114m), allowing other divisions to increase provisions as necessary without any material increase in the global deduction from income.

Total provisions created last year were, furthermore, bolstered by a windfall situation arising from what CE Chris Liebenberg calls a restructure of certain underperforming banking assets (also in the Perm). This gave rise to a release of R88m from deferred tax, enabling Nedcor to add a pre-tax R169m to provisions without affecting the income statement.

For the group, the doubtful debt charge against profits declined to 3,65% of gross interest income from 3,96% previously. After taking into account the additional R169m, the effect was to bump up total provisions (specific and general) against gross year-end advances from 2,6% at the end of the 1991 year to a comfortable 3,1%.

Nedcor Bank CEO Richard Laubscher notes that, after this restructure, the Perm is carrying total pre-tax provisions (specific and general) equivalent to 5% of its debtors book, which looks reasonably conservative given that arrears have fallen to 0,82% of lending and 91% of bond account clients are up to date with repayments.

It's a far cry from the situation apparently feared by investors earlier in the year, when Nedcor shares were dumped in the belief that the Perm's exposure to low-cost housing would lead to a major profit set-back in this division. Even so, the Perm remains by far the least profitable of Nedcor's divisions, with a net return of only 0,57% on total assets against a group average of 0,86% — if it is excluded from the calculation, the group average moves up to about 1%, more in keeping with current banking sector averages.

If, under more favourable economic circumstances and a more settled political background, Perm's profitability could be "normalised," there would, given that this division represents more than a quarter of group assets, be scope for a significant uptick in overall earnings. Until that happens, the Perm remains one of the reasons why Nedcor continues to be rated at a discount to most of the other banking majors.

As to this year, the outlook is not particularly promising. Liebenberg singles out two factors: the decline in interest rates and the need to compete for quality lending business; and poor business conditions which continue to affect results because of the need to maintain abnormally high doubtful debt provisions. The latter situation is unlikely to have been improved by the marked deterioration in the economy from 1992's third quarter.

NEDCOR'S DIVISIONS

Net earnings/return on assets

	1991 Rm	1991 ROA %	1992 Rm	1992 ROA %
Nedbank	169	0,83	201	0,85
Perm	65	0,56	70	0,57
Nedfin	37	1,00	46	1,16
Nedcor Bank	271	0,77	317	0,79
Finansbank/Cape of Good Hope Bank	14	0,56	22	0,99
Syfrets	20	1,42	22	1,11
UAL	39	1,15	47	1,28
Group	344	0,83	408	0,86

Against this, Nedcor has already achieved the 8% capital to risk-weighted asset ratio required for DTIs by January 1995 (the requirement as from this week was 6%), which ratio has improved from 7,4% a year ago.

On balance, it is questionable whether the downrating of Nedcor shares over the past year — shown in the decline in the p:e ratio from 8,5 to 7,8, and the rise in historical dividend yield from 3,6% to 3,9% — is justified. If it can continue to keep its business on an even keel, there is further upside in the current price.

Brian Thompson

CG SMITH/CG SMITH SUGAR

FM 8/1/93

Benefiting from a spread

It's often been asked why anyone should want to invest in holding companies rather than their operating subsidiaries. The point is particularly apposite in the case of CG Smith and Smith Foods as there is no part of these groups to ~~which investors~~ do not have direct access.

The argument is valid ~~to the extent~~ that investment returns would be enhanced provided one was able, consistently, to pick the best performing company at any time. But it loses appeal because the argument is never extended to other types of portfolios, to which the same considerations obviously apply. The only basic difference, therefore, is that by investing in these companies, one is

to continue

FM 8/1/93

(58)

FIRST NATIONAL BANK

Room for further expansion

Activities: *Banking and related financial services.*
Control: *Southern Life 25,9%; Anglo/De Beers 26,8%.*
Chairman: *B E Hersov; MD: B J Swart.*
Capital structure: *83,7m ords. Market capitalisation: R5,294bn.*
Share market: *Price: 6 325c. Yields: 3,2% on dividend; 9,7% on earnings; p:e ratio, 10,4; cover, 3,1. 12-month high, 6 750c; low, 5 325c. Trading volume last quarter, 391 000 shares.*

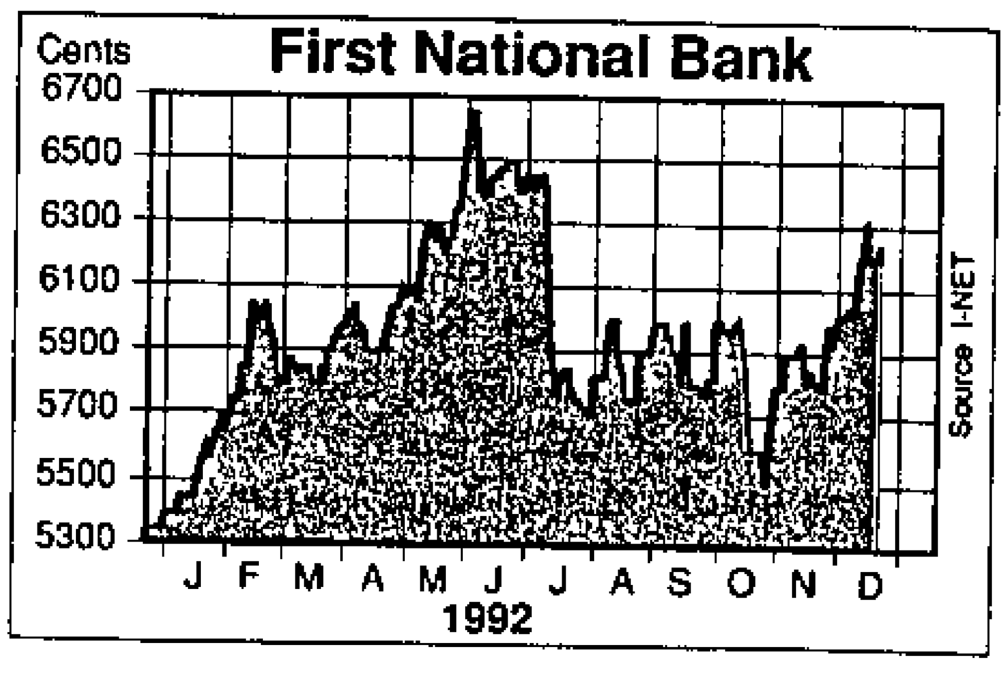
Year to Sep 30	'89	'90	'91	'92
Total assets (Rbn) ...	30,6	30,3	36,6	41,3
Advances (Rbn)	23,1	23,2	29,1	33,2
Deposits (Rbn)	27,1	26,6	32,2	35,7
Operating profit (Rm) .	595,1	832,7	908,5	1 106,2
Bad debt prov (Rm)	181,6	294,3	262,9	347,0
Attrib profit (Rm)	214,3	329,8	385,1	478,9
Return on assets (%) .	0,90	1,09	1,05	1,16
Return on equity (%) ..	19,0	18,6	15,6	14,5
Earnings (c)	317	453	529	611
Dividends (c)	130	150	175	200
Net worth (c)	1 983	2 438	3 391	4 190

Investors in First National Bank (FNB) shares have had a good run over the past two years. From 3 050c at the end of 1990, the price rose to 5 350c in 1991. This gain was consolidated in 1992 with a further (net) 18% rise to 6 325c. Add another 375c for dividends declared during this period and the total yield becomes 120% — not to be sneezed at when the economy is in tatters.

Last year's share price gain was ahead of the Banking Sector index, but was in line with earnings and dividends, leaving the yields not much different from a year ago.

The dominant reason for the surge, as the *FM* noted in reviewing the 1991 annual report, was a reversal of negative market sentiment regarding FNB's information technology systems (following the mid-Eighties decision to instal the IBM-based Hogan banking system) and the self-imposed moratorium on growth which lasted until 1991. Both decisions were vindicated by the substantially higher profits FNB has been able to generate in recent years and this pattern was essentially responsible for the continued popularity of the share in 1992.

If 1991 saw the resumption of asset growth, 1992 was no less important in that it marked the start of a more aggressive development phase — reflected in the mid-year R546m rights issue and the negotiations which, since year-end, led to the acquisition of UK merchant banking group Henry Ansbacher Holdings PLC, for £57,8m.



First National's Swart ... *strength in the balance sheet*

Operationally, considerable effort continued to be concentrated on refining existing activities, with the objectives of providing improved client service and a more cost-effective operating base.

These efforts were well rewarded. Positive influences on the income statement included an aggressive marketing of home loans, which is reflected in a 14% increase in advances and resulted in the ratio of advances to deposits increasing to 93% (1991: 90,4%). That contributed to the 23,5% gain in net interest income, allowing FNB to absorb higher doubtful debt provisions and operating costs — up 32% and 20% respectively — and still show an increase in pre-tax profit which, at 17,6%, was comfortably ahead of inflation.

Last year's provisions for doubtful debts increased to just over 1% of gross year-end advances from 0,9% previously, bringing total provisions (specific and general) equivalent to 2,47% of advances, a sharp uptick from 1991's 2,32%. This was attributed to earlier recognition of potential problem areas.

As with all financial institutions, tax has become an increasing bugbear for FNB with the introduction of the financial services levy. However, as a one-off phenomenon, the effects were partly offset by a reduced special tax provision of R5,4m (R32,5m) which relates to a dispute with the tax authorities over the taxable nature of certain foreign-sourced interest income.

Viewed from another angle, the R27,1m decline in the special tax provision offset the 5,7m increase in the weighted averaged number of shares, arising from the rights issue, on which last year's earnings calculation was based, allowing the group to show almost the same growth in earnings as would have occurred without the rights issue and before the special tax provision deductions in both years.

Partly because of the effects of the rights issue, the strong profit gains of recent years could prove difficult to repeat this year. For a start, EPS will be calculated on the full issued capital of 83,7m shares, instead of 1992's weighted average of 78,4m, so attributable profit will have to improve 6% simply for EPS to stand still.

Secondly, while the acquisition of Ansbacher may be considered a strategic and necessary step for FNB, the short-term effects on profits could be negative unless Ansbacher's performance under FNB control is materially enhanced — its annualised 1992 return on total assets, at 0,3%, was little more than a quarter the FNB group average. Dilution could be even more marked in terms of the return on equity.

FNB'S DIVISIONS

Net earnings/Return on assets

	1991 Rm	1991 ROA %	1992 Rm	1992 ROA %
FNB	320	0,96	373	0,83
FirstCorp	31	1,25	37	1,42
First Namib	21	1,87	27	2,88
First Trust	8	n/a	10	n/a
Associate earnings*	9	0,85	14	1,10
Other	(4)	n/a	17	n/a
Group total	385	1,05	479	1,16

* Return on assets for associates based on market/directors' valuation of investments.

A third factor affecting all banks is that the downward pattern of interest rates is likely to squeeze margins. FNB has taken steps to protect itself by, *inter alia*, shortening its deposit book (demand deposits at September 30 had moved up to 48% of the total from 45% in 1991). But it must be expected that the interest margin will contract rather than grow, cancelling last year's major source of profit gain.

FNB's main strength now is its balance sheet. After the rights issue, its DTI capital ratio based on risk-weighted assets is 9,8%, almost four percentage points above the statutory minimum for 1993 and close to two percentage points more than the 1995 requirement. So it has significant capacity to expand its business. It needs the right environment to take advantage of this capacity.

Brian Thompson

MONEY SUPPLY FM 8/1/93.

In short (58)

The most interesting monetary aggregrate at present is M0, which has charted a clear course upward since it reversed a declining trend early last year. Latest figures have revised October growth upward from a provisional 18%, year-on-year, to 19,2% — to bring the level to R14,5bn. This follows 18,5% in September. Economists' estimates for November's growth rate are 19%-22%.

This narrow money supply measure consists of notes & coins in circulation, reflected on the books of the Reserve Bank, and cash reserve deposits which the banking sector holds with the Bank. The acceleration in growth is partly attributable to an increase in the reserves banks are required to hold, from 4% of short-term liabilities to 5%. When this came into effect in July, it pushed 12-month growth to 15,6%, up from 6,6% the previous month.

But, allowing for this technical bulge, the figures still indicate a shift to cash balances. This is due in part to the fact that short-term interest rates have fallen relatively less than long-term rates. But it could also be an indication that people are preparing to spend — possibly the earliest sign of an upturn. Certainly, it will make spending easier when the impulse takes them.

Confirmation of a shift towards the short-term comes from other measures — though the trend is less consistent. Over 12-months to October:

- ☐ M1A grew 19,42%. This is up from 12,17% and 10,27% in July and August, but down from September's 23,55%;
- ☐ M1, 20,16% (10,25%, 14,92% and 23,15% in July, August and September);
- ☐ M2, 12,01% (13,12%, 12,55%, 12,77%); and
- ☐ M3, 8,44% (9,66%, 8,46%, 8,73%).

Provisional figures for November show:

- ☐ M3 grew an annualised 9,77% from the base of the current guideline year (mid-November 1991) to a seasonally adjusted R199bn. This is within the targeted range of 7%-10%; and
- ☐ M3 grew 8,76% over 12 months to R199,2bn. ■

UAL unit trusts turn in creditable performances

(58) STAR 8/1/93.

By Stephen Cranston

Continuing high interest rates and a strong showing by gilts during the December quarter saw UAL Gilt Unit Trust record a 23,7 percent return on a repurchase-to-repurchase basis for the 12 months to end-December.

The UAL Selected Opportunities Unit Trust showed a 15,1 percent return over the year on a repurchase-to-repurchase basis.

Features of Selected Opportunities' portfolio structure as at the end of December were that equities comprised 83 percent, gilts 9 percent and cash 8 percent.

The top five shareholdings — Mobile, Didata, I&J, Edgars and Holdains — made up a quarter of the portfolio.

The flagship UAL Unit Trust outperformed the JSE overall share index with a 6,4 percent return during the year.

In the last quarter, it reduced its holdings in First National Bank, FSI and Sun Bop.

No purchases were made and at the end of the quarter the portfolio was made up of 65 percent in equities, 16 percent in bonds, and approximately 18 percent in liquid assets.

The distribution for the quarter amounted to 27,77c per unit, giving a total of 100,95c per unit for the year to end-December.

The remaining unit trust, UAL Mining and Resources Unit Trust, saw mining shares being overshadowed by the better relative performance of the financial and industrial counters over the past quarter.

It posted a negative return of 13,5 percent for the year.

However, mining companies are operationally healthier than before, and better prospects for world growth, coupled with higher commodity prices, should lead to increased profit margins in the mining-related sectors.

During the quarter, fund managers sold 65 000 Anamints, 50 000 De Beers and 65 000 Ergo, while purchasing 80 000 Randfontein.

The liquidity level represented by cash and gilts was 21 percent at the end of December.

The distribution for the quarter amounted to 3,51c per unit.

Model C on way out — DP, ANC

CT 8/1/93

(58)

Own Correspondent

JOHANNESBURG. — The Model C school system had a life expectancy of only a few months, DP and ANC sources said yesterday.

DP education spokesman Mr Roger Burrows said there were clear indications from government sources that the racial departments of education were soon to be disbanded — even ahead of an interim government. He anticipated the Model C system would disappear at that point.

Mr Burrows anticipated that many Model C schools would revert to being state schools as they would find it increasingly difficult to survive.

ANC education spokesman Mr Lindelwa Mabandla agreed that the Model C system would soon be scrapped.

"Model C rests on a fragmented education system and we have to find a new way of rationalising the provision of education."

The ANC supported the system of having state, state-aided and private schools, Mr Mabandla said, because a certain contribution would be expected from those communities which could afford to pay more.

Meanwhile Education and Culture Minister Mr Piet Marais said yesterday that state bursary amounts would be increased this year.

He said research at state-aided schools at the end of last year showed that 7,2% of parents had not paid school fees. From a total of 820 638 cases of outstanding fees, legal proceedings for neglect were instituted in only 0,77% of the cases.

FM 8|1|93. (58)

BARPROP FM 8|1|93.

Liquidity still high (58)

Activities: *Property holding company with investments in both industrial and commercial properties.*
Control: *Barlow Rand 78%*
Chairman: *C G Steyn; MD: E P M Moses.*
Capital structure: *76,9m ords. Market capitalisation: R123m.*
Share market: *Price: 160c. Yields: 7,6% on dividend; 9,2% on earnings; p:e ratio, 10,9; cover, 1,2. 12-month high, 160c; low, 130c. Trading volume last quarter, 170 000 shares.*

Year to Sep 30	'89	'90	'91	'92
LT debt (Rm)	210,0	210,0	210,0	210,0
Debt:equity ratio	2,03	1,57	1,47	1,51
Shareholders' interest	0,27	0,28	0,29	0,30
Int & leasing cover	1,60	1,79	1,77	1,62
Return on cap (%)	12,5	13,0	12,5	13,9
Turnover (Rm)	43	49	49	52
Pre-int profit (Rm)	41,0	43,8	43,3	48,6
Pre-int margin (%)	92,9	90,2	88,4	90,4
Earnings (c)	11,5	12,9	14,2	14,7
Dividends (c)	9,65	10,71	11,53	12,23
Net worth (c)	115	122	129	135

Not many property groups can boast additions of around R24m to their portfolios and still have more than R50m cash left in their back pocket. Further, Barprop's vacancy factor of no more than 2% for the 1992 financial year is a valuable asset in present property market conditions.

However, MD Peter Moses says last year's investment expenditure is unlikely to be repeated this year. The policy is only to buy property where rentals have growth potential. In many cases, he says, rentals are inflated in an attempt to realise better sale prices. Many properties are on the market; during 1992 management investigated over 200. There continues to be an oversupply of office space in most centralised areas as well as a surplus of small space in most industrial areas.

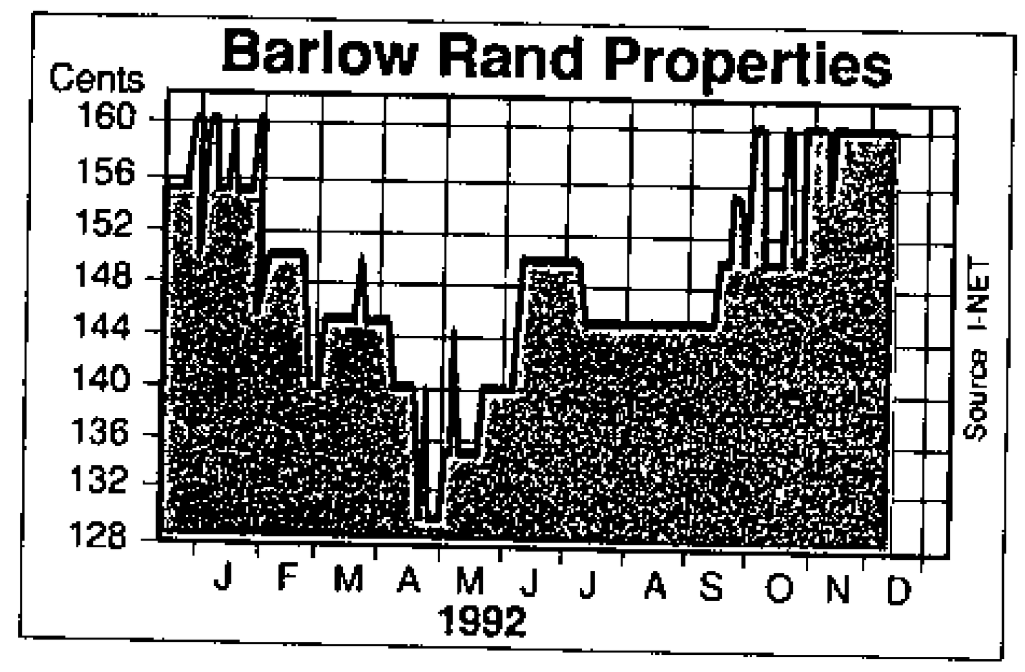
Barprop's liquidity remains high following sales of properties and limited opportunities for suitable reinvestment. With interest rates declining, investment income fell to R9,1m from R11,4m and after-tax profit increased by 4%.

During the year R15,8m was realised from the sale of decentralised and other low-growth properties. A conservative approach to property development ensured high occupancies of the R517m portfolio.

Moses says Barprop's growth in 1993 will be derived mainly from rental escalations on existing leases. Income from cash held for investment will decline further. Assuming a 1,2 times cover, dividends are expected to rise by about 2% to 12,5c a share.

The share, fairly actively traded, offers a 9,2% earnings yield. With a steady dividend payout and solid track record, the stock remains one of the better investments in the property sector.

Kate Rushton



FIDELITY BANK (58)

Fuller disclosure needed

Activities: *General banking and financial services.* Fm 8/1/93

Control: *Board of Executors 30%, Federated Life 30%.*

Chairman: *R E Lippstreu; MD: J E A Langenberg.*

Capital structure: *11,2m ords. Market capitalisation: R67,2m.*

Share market: *Price: R6. Yields: 4,8% on dividend; 15,6% on earnings; p:e ratio, 6,4; cover, 3,3. 12-month high, 600c; low, 450c. Trading volume last quarter, 93 000 shares.*

Year to Sep 30	'89	'90	'91	'92
Total assets (Rm)	280	377	428	582
Advances (Rm)	268	355	400	513
Attributable inc (Rm)	2,8	4,0	5,4	9,8
Earnings (c)	40	57,1	77,1	93,7
Dividends (c)	16	20	24	28,5
Net worth (c)	163	201	254	401

From what is disclosed in its annual report, Fidelity Bank had a successful financial year in 1992, confirming the reputation it has among some analysts of being a tightly run, profitable business. A rights issue held just over a year ago, which raised more than R21m, has moved the bank out of the small league.

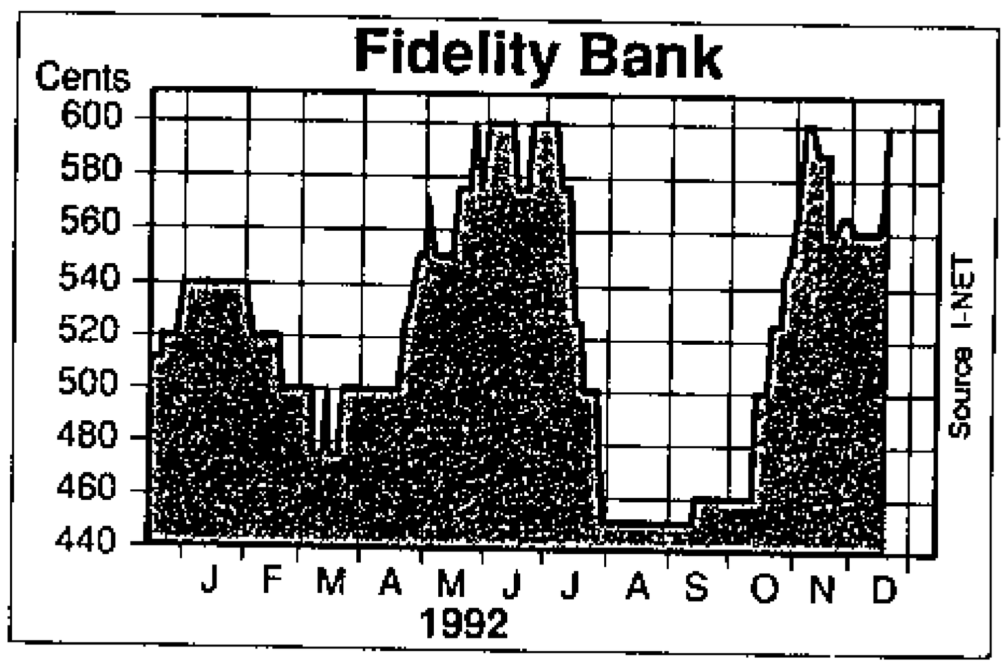
The problem is trying to get a clear view of the business from the limited information provided, a problem common to most of the smaller banks. Declared earnings up 81% looks impressive; EPS were diluted to a 21,5% increase and dividends increased 18,8%. That must keep shareholders happy, even if they are somewhat in the dark about just how profits are earned and divided between them and internal reserves.

The effect of capital raised in the rights issue is apparent in the near doubling of shareholders' funds to R55,4m. Total assets rose 36%, leaving the bank with a healthy capital:asset ratio of 9,5%, compared with 1991's 6,6%. Though the annual report does not define what it means by average assets, the return is 1,94%, the highest since Fidelity listed in 1987, if one accepts its definition of average assets has remained consistent.

Important figures are hidden, though, in

to continue

FM 8/1/93 (58)



globular totals. Net interest income provides no breakdown of interest paid and received; so margins cannot be calculated. Similarly, operating expenses are lumped together with tax and transfers to internal reserves. This total figure has grown 7,6% over the year to R16,4m, but a limited breakdown of what expenses include shows an increase of 19%.

The bad debt provision is up 46,3% to R5,6m. MD Jules Langenberg says this, with arrears and nonperforming assets, is "substantially higher" than previous years, but maintains his organisation has been able to maintain percentages much lower than the industry in general.

Deposits, up 31,5% to R524,5m, have grown 3,3 percentage points faster than advances, though the figure for advances is net of inner reserves, which are not declared.

After strong growth in the share price during the 1991 calendar year, the counter stagnated in 1992 and is up only 11% since the last time the *FM* reviewed its annual report. The rating of the share relative to the sector has also slipped slightly — its dividend yield of 4,8% compares with the sector's 4,4%, while the share's p:e ratio stands at half the sector's 12,7.

The share is tightly held, limiting trading, which partly explains the static price. One feels, however, that fuller disclosure could attract more interest in what on the surface seems an attractive counter. *Shaun Harris*

NBS HOLDINGS FM 8/1/93

More on board

58

NBS Holdings is setting up a new subsidiary company, made up essentially of the former NDH Bank team which walked out on Sechold last month, to trade in the bond market and set up a new derivatives markets operation.

NBS will hold 65% of the new company, yet to be named, while the nine former NDH members will retain the remaining 35%. This increases the 25% equity holding they had in

FM 8/1/93

FOX

NDH under Sechold. 58

The new company, which joins the growing number of NBS strategic diversified holdings like Norwich Life, French Bank SA, NBS Hallmark as well as property fund interests, will be headed by Bill Scotcher as MD, with Dave Barber and Theunis Lategan as executive directors.

Scotcher led the Sechold walkout after their offer to buy the merchant bank's 75% interest in NDH was turned down. NBS MD John Gafney is quick to point out his organisation did not poach the NDH management team; rather they came to NBS — though he is obviously glad to have them on board.

The new company, which expects to start trading in February, will operate independently from NBS. They plan to set up office in Rivonia, Sandton, rather than work from NBS's head office in Durban. *Shaun Harris*

FM 8\1\93

FIRST NATIONAL BANK

58

Room for further expans

First National's Swart ... *strength in the balance sheet*

opment phase — reflected in the mid-year R546m rights issue and the negotiations which, since year-end, led to the acquisition of UK merchant banking group Henry Ansbacher Holdings PLC, for £57,8m.

Operationally, considerable effort continued to be concentrated on refining existing activities, with the objectives of providing improved client service and a more cost-effective operating base.

These efforts were well rewarded. Positive influences on the income statement included an aggressive marketing of home loans, which is reflected in a 14% increase in advances and resulted in the ratio of advances to deposits increasing to 93% (1991: 90,4%). That contributed to the 23,5% gain in net interest income, allowing FNB to absorb higher doubtful debt provisions and operating costs — up 32% and 20% respectively — and still show an increase in pre-tax profit which, at 17,6%, was comfortably ahead of inflation.

Last year's provisions for doubtful debts increased to just over 1% of gross year-end advances from 0,9% previously, bringing total provisions (specific and general) equivalent to 2,47% of advances, a sharp uptick from 1991's 2,32%. This was attributed to earlier recognition of potential problem areas.

As with all financial institutions, tax has become an increasing bugbear for FNB with the introduction of the financial services levy. However, as a one-off phenomenon, the effects were partly offset by a reduced special tax provision of R5,4m (R32,5m) which relates to a dispute with the tax authorities over the taxable nature of certain foreign-sourced interest income.

Viewed from another angle, the R27,1m decline in the special tax provision offset the 5,7m increase in the weighted averaged

A third factor affecting all banks is that the downward pattern of interest rates is likely to squeeze margins. FNB has taken steps to protect itself by, *inter alia*, shortening its deposit book (demand deposits at September 30 had moved up to 48% of the total from 45% in 1991). But it must be expected that the interest margin will contract rather than grow, cancelling last year's major source of profit gain.

FNB's main strength now is its balance sheet. After the rights issue, its DTI capital ratio based on risk-weighted assets is 9,8%, almost four percentage points above the statutory minimum for 1993 and close to two percentage points more than the 1995 requirement. So it has significant capacity to expand its business. It needs the right environment to take advantage of this capacity.

Brian Thompson

How the rand should shape up in 1993

SIAR 9/1/93 (58)

FINANCE STAFF

THE commercial rand is expected to weaken further against the US dollar this year, but should hold its own against European currencies and, to a lesser extent, the yen.

London foreign exchange dealers, canvassed by our correspondent in London, **Neil Behrmann**, do not expect the weak gold price to affect the commercial rand to a great extent.

A better 1992/93 maize crop, for instance, counters a weak gold price. Yet interest rates are forecast to remain relatively high to help support the currency and reduce inflationary pressures.

Depressed

Broker James Capel predicts the rand will fall to 30 US cents by the end of the year from its present level of 32,57c, but expects the currency to appreciate to 22p from 21,6p and to Dm0,60 from Dm0,53.

The financial rand is expected to remain depressed for the next few months because of the poor gold price, foreign investor caution, and the overhang of SA payments for foreign acquisitions. Once the overhang is absorbed, however, the rate is expected to improve.

Any political settlement should also bolster confidence. Thus it is up to the politicians to improve foreign investor confidence.

On a trade-weighted average, the rand is expected to depreciate by six to seven percent. Its performance against individual currencies will depend on the dollar and adjustments to the European Exchange Rate Mechanism (ERM).

After one of the most volatile years in two decades, foreign exchange experts contend that the dollar will gain ground in 1993.

Our panel of global forecasters consisting of major foreign exchange players in London, Tokyo, New York, Hong Kong, Zurich and Frankfurt expects that much of the dollar's appreciation will take place against European currencies.

After its sharp jump in the past 10 days, the panel, on average, expects the dollar to rise by five to ten percent against the Deutschemark, British pound and Swiss franc in the next 12 months.

European currencies are predicted to undergo yet another upheaval in the months ahead.

Devaluations of the Irish punt and Italian lira are inevitable, say the panelists.

Odds are shortening on a French franc devaluation, despite central bank intervention and higher interest rates.

Trauma in the European ERM and a weakening German economy will encourage corporations and fund managers to buy dollars on dips, say panelists.

Indeed, it is dangerous to be dogmatic about the dollar. Year on year, the weighted average of the US currency rose by eight percent, helped in no small measure by a surge of 22 percent against sterling and the Italian lira and a 10 percent gain on the Canadian dollar.

It even rose by four and three percent against the mark and yen respectively.

Bulls

Six months ago it was a different story.

Dollar bulls were sweating profusely as the US unit collapsed to new lows against the Dmark and European currencies.

Our panelists advised holders to hang on, saying a recovery was overdue, but at the time the currency appeared to be on a downward spiral.

Purchasing power parity calculations show that even after its recent rally, the dollar is not expensive.

Sage ups foreign stakes

STAR 9/1/93

(58)

AGAINST an uncertain background for equities, Sage Fund's liquidity at the quarter ended December 31 was R168 million, representing 18,7 percent of resources available for investment, Sage Fund said in its quarterly report yesterday.

The fund's holdings in Kersaf, Samancor and Wooltru were sold, it said.

New holdings were established in Sentrachem and Foodcorp.

Additions were made to holdings in Absa, Genbel, Gencor, Midwits, Nedcor, PP Rust Platinum, Sage Group, Sappi and Sasol, and relatively small reductions were made to holdings in Engen, Rembrandt and Richemont.

The fund's holding in French bonds was increased, while new equity holdings were established in Siemens, Grand Metropolitan and Hongkong & Shanghai Bank to take advantage of "perceived good relative value" in European-listed equities.

At December 31 the 10 largest holdings in Sage Fund were Richemont, Rembeheer, Rembrandt Group, Absa, Afrox, Gencor, Murray & Roberts, Tiger Oats, Anglo American and JCI.

For the 12 months to December 31 Sage Fund showed a positive total return of 1,5 percent compared to a negative return of -1,7 percent on the JSE all-share index.

Reductions

A more defensive stance was adopted in Sage Resources Fund during the past quarter as a result of the continued delay in the global upswing.

Cash available for investment increased to R11 million at December 31 from R6,7 million at the end of the previous quarter. It represented 22,8 percent of funds available for investment.

Sage Resources Fund's holdings in Anamint, Beatrix, Western Deep Levels, Rand Coal and Usko were sold.

Reductions were made to its stakes in Deelkraal, Rustenburg Platinum and Engen.

New investments were made in New Wits and Tongaat, while holdings in ICH, Harties, Lebowa, Lydenburg, East Dagga, Iscor and Highveld were increased marginally.

The 10 largest holdings in Sage Resources Fund at December 31 were Gencor, Sasol, JCI, Mid Wits, Engen, Gencor Beherend, Fregold, Lydenburg Platinum, Driefontein and Anglo American.

The total return during the 12-month period was -14,7 percent compared to -23,3 percent and -13,4 percent on the JSE mining producers and mining financial indices respectively.

Four Old Mutual unit trust funds announce payments

58

CAPE TOWN — Four of Old Mutual's unit trust funds yesterday declared the following distributions:

Old Mutual Top Companies Fund — 4,03c a unit for the six months ended December 31. Total declared for the past year: 10,39c a unit. A total of R2,9 million will be paid to investors on February 28. Total distributions paid over the past year: R6,5 million.

Old Mutual Mining Fund — 4,28c a unit for the past six months. Total declared for past year: 9,43c a unit. A total of R1,9 million will be paid to investors on February 28. Total distributions over the past year: R4,2 million.

STAR 9/1/93.

Old Mutual Gold Fund — 2,55c a unit for the past six months. Total declared for past year: 5,08c a unit. A total of R1,4 million will be paid to investors on February 28. Total distributions over past year: R2,6 million.

Old Mutual Income Fund — 3,12c a unit for the past three months. Total declared for past year: 13,68c a unit. A total of R3,6 million will be paid to investors on February 28. Total distributions over past year: R11,9 million. — Sapa.

Insurers' doctors set up new body

By TERRY BETTY (58)

DOCTORS in the insurance industry have formed a new body to cut back on medical insurance fraud.

The Association of Insurance Medical Officers of SA (AIMOSA) will train doctors to assess patients for insurance purposes.

AIMOSA is the brainchild of Southern Life chief medical officer Len Myers, and it aims to lift standards in the industry.

Southern Life medical consultant Jack van Niftrik says this is particularly necessary as the number of fraudulent claims has increased as the economy puts pressure on companies as well as household budgets.

Dr van Niftrik gives the example that certain companies have been persuading employees that they should go on a disability pension rather than retrench them. In this way the insurance companies and pension funds bear the cost of dismmissing the employee.

He says it is a mindset among many people that after they have put in 20 to 30 years of hard work it is their due to cash in, and then carry on with other, easier work.

For people financially stressed a disability grant can give a quick cash injection into the monthly budget.

Dr van Niftrik says it does not help that many doctors tend to exaggerate the degree of a patient's disability. "This is more often the result of excessive compassion on the part of the doctor than attempts at fraud.

"Nonetheless, large sums of money are being paid to skilled people who are capable of contributing to the country's workforce, which further weakens an already crippled economy. It will also lead to an increase in premiums and an added burden on healthy insurance consumers."

S/Times (Buss) 10/1/93

Insurance medicine is a specialised field in the US and Britain, where doctors have to pass a post-graduate course.

Dr van Niftrik describes it as sleuthing as opposed to the normal curative or preventative medicine. "The doctor has to look for all the possible long-term problems that will shorten a person's life.

"Depending on what is picked up the insurance premiums will be loaded, or if curable, the person's doctor will be informed and once the person is better he can take out the insurance policy."

Syfrets ups its share

By JEREMY WOODS

A MAJOR reorganisation of the sales force has resulted in Cape-based Syfrets Group increasing unit trust sales by 198% in one year to R694-million. (58)

In terms of market share, Syfrets has more than doubled its piece of the unit trust cake with a 13,1% bite — up from 5,7%.

And this growth looks set to continue.

Unit trust sales in the first two months of the current year are 150% ahead of the same months last year.

Mr Simon Steward, a senior general manager in charge of the investment management division, says: "The major factor behind these results is that the selling staff — or investment planners, as we prefer to call them — have been trained up and their efforts refocused."

Mr Steward, who joined Syfrets three years ago from Chase Manhattan Bank in London, where he was head of private banking, says the whole division has been through a variety of changes and these are now "bearing fruit throughout the entire division".

Last year the division, which includes retail sales and portfolio management, had an exceptional year representing 50% of Syfrets' net contribution before tax of R20-million.

S|Times 10/1/93 (Buss)

Advice

The various funds and fund managers have given another excellent performance but this has been the same for the last five years, he says.

Syfrets Growth fund is established in the industry as the top performing fund for the past five years.

But the areas that have come under Mr Steward's close scrutiny are unit trust sales and, in particular, financial incentives and the communication between investment planners and their clients.

Mr Steward says that when he arrived at Syfrets communication and motivation were not good on the floor or with clients.

"Now we sit down with our clients and work through a sophisticated computer investment programme to find out what their real financial needs are. Once these are established, we give the best financial advice we can.

"Some six-thousand business introducers, such as lawyers and accountants, were cut to two-and-a-half-thousand. Many of them were not performing, but we still had to run their accounts, look after them and send them literature."

Banks wary of Usury Act opportunity

S Times 10/1/93

(Buss) By TERRY BETTY (58)

BANKS are reluctant to lend money to the informal sector despite the fact that they can charge as much as they like.

Last week Finance Minister Derek Keys announced in the Government Gazette that short-term loans under R6 000 would be exempt from the Usury Act, which has kept interest chargeable on such loans at 31%.

Banks will now price the cost of borrowing in rand terms rather than as an interest rate.

Standard Bank Community banking services divisional general manager Jopie van Honschooten gives the example that if a hawker is charged R1 to borrow R100 for one day to buy stock, this translates into 365% if the interest is annualised.

And he says this will still not cover the cost of having staff to administer the accounts as well as the bad debts.

Banks in the commercial sector have stayed away from making short-term loans to the informal sector, such as hawkers, because of the exorbitant cost.

But it seems doubtful that the freedom to charge as much as they like to compensate for this added cost is going to lure banks into this sector.

A banking source says it was not the formal banking sector that lobbied for these changes. He doubts the change will have any effect on this sector as it does not apply to overdrafts and credit card facilities.

Natal Building Society general manager of loans Trevor Olivier says: "NBS does not operate in this market anyway because we are a mortgage-lending institution."

Mr Olivier suggests that a specialist bank would be more suited to focus on that level of the market.

Mr van Honschooten says the risk cost in this sector is high as it is not endowed with capital or collateral.

"But there is a need for financing in the informal sector and this will decide the activity of financiers in the market if it can be done on a cost-justified basis."

A Nedbank spokesman says the administration of a whole lot of small loans is an enormous task, and that this is not an opportunity for the commercial banks. He says the lobby for the change probably came from the informal money-lending sector.

Small Business Development Corporation (SBDC) assistant general manager communications Dawie Crous says the SBDC supports any legislation that would make it easier for business to operate.

He points out that the informal sector is by far the largest of all the business sectors.

"There are at least 2,5-million informal businesses employing about 3,5-million people operating under its own rules. For example, a person borrows money from a loan shark and has to repay double the amount in two years' time.

West Rand Informal Business Association chairman Lindela Ngcakani says it would be invaluable for the hawkers to be able to get access to finance through the banks, as few other institutions are geared to help the micro-businesses.

He says a lot of the hawkers finance themselves with credit from the wholesalers.

But he says hawkers often get locked into buying goods from a particular wholesaler who then inflates prices.

Investment hit by lack of confidence

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S Times (Buss) 10/1/93

By KEVIN DAVIE

THE life industry is not sufficiently specialised to make investments in socially desirable but risky projects.

A study sponsored by the Life Offices Association (LOA) and conducted by University of the Western Cape economics professor and ANC advisor Lieb Loots finds that prescribing investments will be like treating the symptom rather than the disease.

Prof Loots's study on savings and growth finds that the key reason for declining levels of investment is lack of confidence.

He says that the life industry does not have the expertise or institutional culture to invest in the higher risk, more dynamic areas of the economy.

Wisdoms

He recommends the establishment of specialised institutions to channel savings to these investments.

His study, which was commissioned by the LOA as a contribution to the debate on prescribed asset requirements, challenges several conventional wisdoms about savings and growth in SA.

Prof Loots finds that the decline in personal and government saving was compensated for by increased corporate saving and that since the mid-1970s corporate saving consistently exceeded corporate investment.

"The real cause of low investment since the mid-1970s is not low saving, but rather factors which produce low investor confidence."

Prof Loots says the composition of savings does not have any clear negative impact upon the application of these savings, that savings are not a constraint on investment and that the financial system has fulfilled its traditional intermediary role fairly efficiently.

He says the main reason for low investment is uncertainty and low investor confidence. It is important to identify the real causes of slow growth and find the policies which can remove them.

"Structural changes in the economy and political uncertainty have contributed to poor expectations about future profitability. This needs to be addressed if investment is to recover to its former high levels."

Prof Loots does not rule out the possibility of prescribing life assurers to invest a proportion of the funds under their control in socially desirable investments, but says rather that specialised institutions and appropriate financial instruments could be the most desirable way to improve the application of saving in SA.

"If the new specialised institutions cannot acquire the necessary finance, then government intervention, through prescribed asset requirements, will be necessary.

"What is not needed is ill-conceived measures to increase or direct saving in the hope that it will result in improved application and increased investment."

Prof Loots counters the view that SA's economic malaise can be traced to the dramatic decline in personal savings.

Savings flowing to banks and building societies fell from over 60% in the 1960s to less than 20% in the latter half of the 1980s, the benefit of this falling share going to the life assurers, retirement or pension funds.

The shift was a "rational response by households to a changing environment (including inflation, low real interest rates and declining disposable incomes) as well as competitive products marketed by the life offices.

Confidence

Corporate saving increased from 2,6% of GDP in the 1960s to 6,8% in the 1980s. But gross investment by the corporate sector in the late 1980s was only about 58% of gross saving: "Corporations thus became net lenders of funds."

"The fundamental causes of low investment need to be addressed, particularly low investor confidence and an unsympathetic macro environment."

The bureaucratic nature of the life assurers, their natural tendency to seek out less risky investments and their preference for operating on the JSE "all contribute to holding back the development of a more dynamic and competitive economy."

The lack of confidence manifests itself in three ways: low investment by domestic corporations, repatriation of profits by foreign investors and the demand by foreigners that capital be repaid, thus necessitating a higher proportion of domestic saving to be used for the repayment of foreign capital.

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tender

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...r bidders include Leadership ...r Hugh Murray, Finance Week ...lder Stuart Murray, who says he ... for 30% of Finance Week's ...olders and Mr Greenblo, who has ... the shares.

... on Friday, Mr Stuart Murray ... allegations published in the lat-

RMBH a fillip for the Sage Group

STM 11/1/93

By Stephen Cranston (58)

The Sage Group share price has been rising thanks to its effective 13 percent holding in RMB Holdings and its 5,25 percent holding in Absa.

Sage Group is trading at 570c, up from 490c in early December, of which 320,5c is attributable to its share in Absa, 113,1c to its share of RMBH and 136,4c for its managed operations and other investments.

This is up from a valuation of 61c for its operations a month ago.

Frankel Max Pollak analyst Egon Trampitsch says the share is still undervalued because it should command a P/E ratio of 18, giving a value of 157c on the operations.

Sage is believed to be looking for buyers for its Absa stake is officially up for sale, but the RMBH stake is described as a strategic holding.

RMBH deputy chairman GT Ferreira says Sage has been a good shareholder for some years, though he admits a possible conflict of interest has arisen since the bank took over Momentum Life last year.

Sage's rating still lags behind almost all the insurance sector. Its 11,1 P/E and 3,3 percent dividend yield compare with RMBH's 16,9 P/E and 2,5 percent dividend yield.

Fergusson Bros analyst Steve Rubenstein says Sage has operated under a cloud because it had a tax-inefficient structure, with the top company holding interest-bearing debt that had been accumulated from unsuccessful ventures in the US and elsewhere.

The rating has improved since Sage Holdings and Sage Financial Services were merged.

Another analyst says that Sage is neither big enough to offer economies of scale, nor small enough to be a niche player.

The group has been criticised for its poor disclosure and soft assets.

Sage's profit performance, however, has been satisfactory. In the last financial year to March, earnings per share rose 21,9 percent.

Metlife's (58) maiden year

Business Day Reporter

IN ITS maiden year, the Metlife Unit Trust's total return, based on repurchase to repurchase price, was 8,8%. BDM

Portfolio manager Philip Morral said: "Given the poor economic conditions and the volatility of the investment markets during 1992, we certainly chose a tough year to launch a general equity trust. But in this difficult environment we produced a competitive return, and that bodes well for the future." 11/1/93.

Morral noted that this return was achieved while managers maintained a low-risk profile for the fund.

The Metlife Unit Trust has consistently held a high proportion of its funds in gilts and money market assets, limiting the unit holders' exposure to risk from falling share prices.

"It is our objective to manage the extent of the unit holders' exposure to the share market and not just to act as share selectors, so we are aggressive in moving in or out of the market. By the end of the year we had more than 40% of the fund in gilts and cash," Morral said.

Fairly active year for merchant banks

BIDAY 11/1/93 (58)

ROBERT WICKS and TRACY SCHNEIDER

THE largest deal in SA corporate history and offshore acquisitions of more than R3bn were the highlights for the local merchant bank industry during 1992, a year described by analysts as relatively active.

An Ernst & Young corporate advisory services spokesman said although final figures were still being calculated, there were clear indications that a trend towards offshore activity was evident.

"Initial indications would seem to show no real change on 1991 figures for the past year, both in terms of overall value and the number of deals logged," he said.

The past year's biggest deals, he said, had been the Royal group's acquisition of Del Monte Foods International for an estimated R2,17bn and the Sappi acquisition of German paper company Hannover Papier (DM440m). There had been a trend, particularly in the banking sector, to move offshore.

An announcement by the Reserve Bank in November last year that strict curbs would be implemented on foreign investment as a means to restore investor confidence in SA could, however, see this trend reversed, he said.

UAL Merchant Bank sector 3 GM Peter Jackson said the trend towards offshore acquisitions was arising from the increased political acceptability of SA companies overseas.

There was also a large disinvestment figure of about R1bn as "offshore companies were selling their SA assets to strengthen their balance sheets," Jackson said.

Board of Executors (BoE) Merchant Bank deputy MD Richard Derman said there had been a fair amount of activity in mergers and acquisitions last year and that 1993 could see a significant level of activity locally and offshore.

Reserve Bank policy could put a damper on some deals and he stressed the importance of good financial engineering.

"Activity will continue offshore despite the new limitations. Companies will find it more difficult now, but economic conditions will force them to look abroad," he said.

BoE enjoyed a positive year by securing the Del Monte acquisition for the Royal group in the country's largest corporate deal to date.

Standard Merchant Bank executive director Mark Barnes said: "There was a large degree of enthusiasm for offshore acquisitions, but this could dampen in 1993 with the recently revised finrand policy."

He forecast an active period this year as people were "focusing on disposing of assets in their stables".

Investec Merchant Bank corporate finance consultant Paul Boynton said 1992 had been an average year in terms of mergers and acquisitions activity.

"The limits placed on the use of the finrand and the obligation to debtfund have affected and will continue to affect offshore deals," he said.

Boynton said 1993 did not appear particularly promising and any deals coming into SA were critically dependent on political stability.

"We have seen a great deal of foreign interest, but very little commitment,' he said.

He said 1993 could see the formation of a number of "strategic alliances" and a strong commitment towards unbundling as the competition board gained more teeth.

Mergers and acquisitions activity in SA in 1991 grew by more than 50% to R12,5bn.

The activity was spurred by a reshuffling and refocusing of interests by major groups in response to difficult economic conditions.

During 1991 the largest deals included the merging of UBS Holdings, Allied, Volkskas and Sage Life to form Absa (R1,7bn), and the sale of Middelburg Steel & Alloys to a consortium controlling the Columbus project (R1,1bn).

Proposed change to deposits law dismays banks

B/DAY 11/1/93.

TIM MARSLAND

COMMERCIAL banks reacted angrily at the weekend to the Deposit-taking Institutions Amendment Bill, saying it was "detrimental to the banking system and the investing public".

The Bill proposes to legitimise the activities of money brokers to pool investors' funds and place the money with borrowers other than banks.

However, Standard Bank chief accountant Henry Shaw said responsibility lay with the ultimate borrower to ensure he was not accepting deposits in contravention to the Act.

For example, it would be illegal for a borrower to accept deposits from an agent unless the borrower was a registered bank or complied with exemptions in the Act.

The Bill proposes a written contract between investor and money-broker and full disclosure as to how the money will be used.

But investors will have no recourse to the money broker if the investment goes sour.

First National Bank senior GM Viv Bartlett said FNB would have to look carefully at its deposit-taking activities in light of the Bill.

The Bill as proposed was contrary to much of the spirit of the Deposit-Taking Institutions Act.

The Act was intended to safeguard the public's deposits and the handling of them which would be subject to international banking standards.

A treasurer at a major bank said if the Bill went ahead, his bank would investigate setting up a non-banking subsidiary to take deposits if this appeared to be a better way of maximising returns.

The Bill would allow money brokers "to do as they pleased" with unsuspecting investors' money, he said.

Shaw said his bank was concerned about the possibility of unregulated and risky banking activities.

"Obviously, investors can put their money where they want to.

"It's a case of 'let the buyer beware'," he said.

Investors could get high returns through money brokers, but the risks would be high, whereas banks offered lower returns but low risk.

A source said the spate of institutions applying for exemption under the Bill could have prompted the authorities to implement the Bill in order to simplify their own procedures.

Absa refused to comment, while Nedbank's comment was unavailable.

A JSE spokesman said the exchange was unable to comment until it had studied the Bill.

Good growth reflected in GuardBank's funds

B/DAY 11/1/93 (58)

MARCIA KLEIN

THE GuardBank Growth Fund showed a 10,5% increase in its unit price in the year to end-December, including capital appreciation and the reinvestment of attributable income distribution.

Fund managers said that in the 10 years to end-December, GuardBank Growth Fund had shown a total compound annual return of 23,5% a year.

In the past quarter, one new holding was established in Tiger Oats, and additions were made to holdings in First International Trust (FIT), Sasol and Premier Group. Some mining counters were disposed of.

The top 10 holdings at end-December included Liberty Group, Richemont, SA Breweries/Bevcon, Rembrandt Group, Sasol, Premier Group, Stanbic, FIT, FNB and Charter Consolidated.

The Industrial Fund, launched in April 1992, which invests only in financial and industrial shares, showed an overall increase of 17,2% for the nine months to end-December.

Fund managers said the fund had significantly outperformed the financial and industrial index since its inception.

The fund grew 44% in the quarter to end-December, during which time it acquired FIT, Reunert and Premier Group.

The overall decline in the unit price of the Resources Fund was 8,5%, compared with a decline of 25,5% in the all gold index, a drop of 39,7% in coal, 34,1% in diamonds and 23,8% in mining producers. The fund had a market value of R41,1m at end-December.

One new holding was acquired in Highveld Steel, and disposals were made in Anamint, Rusplats and Gencor.

The Income Fund, which had a market value of R153,6m at end-December, showed a 23,58% increase in unit price for the year.

Fund managers said the Income Fund had a "highly satisfactory year", and the total return significantly outperformed the inflation rate.

They said short-term interest rates would decline from present levels over the year, but the decline would be "moderated by the prevailing disciplined monetary policy which is likely to continue".

Fund managers said the economy would "be hard pressed to move meaningfully ahead", and said a fragile confidence factor would be vital in determining investment levels.

Old Mutual declares trusts' distributions

CAPE TOWN — Four of the Old Mutual unit trust funds declared their distributions on Friday. 3/Dm 11/1/93

□ Old Mutual Top Companies Fund will pay 4,03c a unit for the six months ended December 31, 1992.

The total declared for the past year is 10,39c a unit.

A total of R2,9m will be paid out to investors on February 28. Total distribution for the year to December 31 is R6,5m.

□ Old Mutual Mining Fund will pay 4,28c a unit for the six months ended December 31. (58)

Total dividend for the year is 9,43c a unit.

A total of R1,9m will be paid out to investors on February 28. Total distribution for the year to December 31 is R4,2m.

□ Old Mutual Gold Fund will pay 2,55c a unit for the six months. Total for the year to December 31 is 5,08c a unit.

A total of R1,4m will be paid out on February 28. Distributions for the year total R2,6m.

□ Old Mutual Income Fund pays 3,12c a unit for the three months ended December 31. Total declared for the past year is 13,68c a unit.

A total of R3,6m will be paid to investors on February 28. Total distributions for the year amount to R11,9m.

Nearly R10m will be paid out to Old Mutual trusts' investors in distributions at the end of February.

Distributions paid out to investors over the past year by all Old Mutual unit trusts' funds amount to R140m. — Sapa.

Sage takes defensive stance

MARCIA KLEIN

SAGE Fund unit trust has shown a total return of 1,5% for the 12 months to end-December against a drop of 1,7% in the all share index, fund managers announced at the weekend. (58)

Sage Resources Fund, which is invested in mining shares, lost 14,7% in value for the same period. This compared with a 23,3% fall in the JSE mining producers index and a 13,4% drop in the mining financial index.

Sage Fund's liquidity at the end of the quarter was R168m, or 18,7% of resources available for investment.

It sold its holdings in Kersaf and Samancor and the remaining Wooltru shares, and established new holdings in Sentrachem and Foodcorp. BDay 11/1/93

It made additions to Absa, Genbel, Gencor, Mid Wits, Nedcor, PP Rust Platinum, Sage Group, Sappi and Sasol, and small reductions in its holdings in Engen, Rembrandt and Richemont.

In the foreign portfolio, the holding in French bonds was increased and new equity holdings were established in Siemens, Grand Metropolitan and Hong Kong & Shanghai Bank.

At end-December, its 10 largest holdings were Richemont, Rembeheer, Rembrandt Group, Absa, Afrox, Gencor, Murray and Roberts, Tiger Oats, Anglo American and JCI.

Sage said its Resources Fund had adopted a more defensive stance over the past quarter because of the continued delay in the global upswing. Cash available for investment grew to R11m — or 22,8% of available funds — from R6,7m at the end of the previous quarter.

It sold its holdings in Anamint, Beatrix, Western Deep Levels, Randcoal and Usko, and made new investments in New Wits and Tongaat.

Fund managers said the financial and industrial indices reflected demanding ratings, and capital appreciation over 1993 would be limited to about 10% to 15%. Individual share selection would be critical to performance.

PE multiples and dividend yields were more favourable for mining shares, but improved returns on mining shares were likely only in the longer term.

Standard in Madagascar

Finance Staff (58)

Standard Bank has continued its expansion in southern Africa with the opening of a new bank in Madagascar last week.

The bank, Union Commercial Bank SA, is a joint venture between Standard and the Mauritius Commercial Bank.

Standard says the bank will concentrate on providing letters of credit, foreign exchange and related financial services, mainly to business customers. STAR

Standard Bank last year acquired the African operations of ANZ Grindlays. 11/1/93 -

Bank practices to be probed

LONDON — Barclays Bank is to undergo further investigation as a result of rising public anger at sub-standard services, secrecy and alleged improper profiteering by major clearing banks.

Board of Trade president Michael Heseltine, responding to protests from the public and an MP, is investigating the use of so-called "settlement agreements" by Barclays Bank. BIDM 12/1/93.

The agreements are widely used by banks to settle disputes with customers on condition that they stay silent. Under the agreements, customers are not even allowed to acknowledge the settlements, let alone their contents.

But examples of how the banks try to use their muscle to silence aggrieved customers have been filmed by the investigatory television programme World in Action.

IAN HOBBS

It is believed Heseltine will be under pressure to get tough with Barclays and other major banks.

(58)

Banks and building societies are also facing attack in the media and parliament for their slothfulness in passing on — or in some cases not doing so at all — benefits from rates changes.

Barclays is under particular focus following the controversial decision to appoint Andrew Buxton as both chairman and chief executive.

MPs and professional banking bodies and unions say it is outrageous for one man to have so much power in a major bank. They have demanded further official investigation of the circumstances.

Ditching apartheid past

Sowetan 12/1/93

By Mzimkulu Malunga (58)

■ Development Bank of South Africa has started a major restructuring programme:

IN an attempt to shed its apartheid past, the Development Bank of South Africa (DBSA) has started on a major restructuring programme — which includes severing ties with homeland governments.

In a memorandum circulated among the bank's officials, managing director Mr Andre la Grange says one of the reasons for the move was to be closer to the communities who the DBSA served.

However, La Grange said the bank would not neglect the poor communities which live in the homelands. "Most of our people live in those areas," he emphasised.

In line with the restructuring programme, the bank would stop coordinating financial arrangement between homeland governments and the South African Government.

La Grange said the DBSA held the view that a separate structure with a totally different identity should be formed to look after financial arrangements between the homelands and the central government.

While the bank played a central role in the financial affairs of homelands, it was the duty of the central government.

Banking sources suggest one of the reasons which could have sparked DBSA's move was the high level of mal-administration in the homelands and lack of financial discipline in homeland governments.

Foreigners' cash swells SA banks

GRETA STEYN

NON-residents' deposits with banks rose by almost R3bn in the year to October to R9,5bn as foreigners piled into the money market, latest Reserve Bank figures show.

According to the Bank, about R6bn of the total deposits came via the financial rand with the rest in commercial rands.

Bankers said the flexibility of the SA money market had become increasingly popular with foreign investors. The market was often used when foreigners wanted to sell gilts or equities without taking their funds out of SA. At a time of finrand weakness this was especially attractive as investors could avoid a capital loss on the currency after exercising one leg of the transaction. Money market investments also did not entail a long-term commitment to SA — an important factor.

A treasurer said the build-up of money market deposits at weak levels of the finrand signalled foreigners expected the finrand to have bottomed, and regarded yields as good value. He added this build-up could be sustained only as long as SA maintained high interest rates relative to other countries. The problem with such a massive build-up of short-term funds was that political turmoil could spark a run on the finrand.

B/DAY 12/1/93

A puzzling aspect to the figures was the extent of commercial rand deposits. A banker said factors that had been present for years were emigrants' blocked rand deposits, and debt inside the standstill net that had been on-lent after repayment by the original borrower. A more recent occurrence was foreigners who entered SA via the commercial rand because the currency was less restricted than the finrand. Foreigners were also making good returns on short-term dollar loans for working capital purposes.

Standard fund scores from avoiding stocks

Bldmy 12/1/93 (58)

STAYING out of the stock market last year paid dividends for Standard Bank Extra Income Fund which gave its investors a return of 15,7% for the year to end-December.

The best-performing fund in the Standard Bank stable last year almost doubled its assets to R385m as investors opted for stable, high yielding funds. Itdeclared an income distribution of 2,80c a unit.

But fund managers said the outlook for longer term interest rates was less clear.The parlous state of government finances and potential revenue raising measures such as increases in VAT and fuel levies were likely to create uncertainty ahead of the budget.

The fund had maintained the major part of its assets in lower risk money market investments with a maturity of one to six months.

Standard Bank Mutual Fund, the group's largest, achieved a return of 13,94% as the market value of its cautiously positioned portfolio increased by 18% to R611m.

The portfolio had a 38% cash content, with industrial shares comprising 30%, financial shares 18% and mining shares 14%. The fund declared an income distribution of 35,6c comprising interest income of 24,68c and dividends of 10,92c.

Standard Bank Fund Managers MD Derick Finlayson said the return on the fund was creditable.

The positioning of the portfolio had proved correct in an investment climate where share prices overall had retreated by 2%.

DUMA GQUBULE

A feature in analysing the return was the share content, having earned 14% on the cash portion of the portfolio, generating returns of just over 13%, 15% ahead of the return on the all share index.

The return on the Standard Bank Gold Fund was -22,9% compared with a -25,6% return on the all gold index.

The value of the portfolio declined to R154m from R224m and the income distribution came to 4,22c a unit, comprising 1,92% interest income and 2,30c dividend income. The fund had given investors a return of -6,35% over the past five years, compared with the -10,4% registered by the all gold index.

Fundamentals

The fund managers said fundamentals were not yet supportive of a major turnaround in the gold price. World economic growth rates were unlikely to cause inflationary concerns and the strength of the US dollar was expected to continue.

Standard Bank International Fund registered a return of -5,65% since its launch in May.

The fund managers said the fund had attracted nearly 7 500 investors contributing R38m since its launch.

Standard Bank Industrial Fund recorded a return of 6,58% since its launch in May.

The fund, with a portfolio worth R12,4m at end-December, had invested 58% in cash and the balance in industrial shares.

Insurers tighten claims control

58

KATHRYN STRACHAN

WITH the AIDS pandemic and the recession causing a dramatic increase in ill-health and disability claims, the insurance industry has tightened claims control.

A new organisation, the Association of Insurance Medical Officers of SA (Aimosa), affiliated to the Medical Association of SA, has been formed to ensure medical evidence required by the insurance industry conforms to stringent standards.

"The need for such a body has become particularly acute in the face of recent developments in the health profile of the country," association chairman Dr Len Myers said.

"Of great concern is the escalating incidence of HIV infections, the increase in TB and a worsening economy, which has driven up claims on ill-health and disability.

"Claims have also been affected by less obvious considerations such as an increase in policy sales among the relatively more affluent, but higher HIV-risk population and the influx of some questionably qualified doctors from eastern Europe and Africa, whose services have been used for medical evidence." BlDm

Another spokesman, Dr Jack van Niftrik, said the recession and consequent retrenchments had resulted in a large number of fraudulent disability and even death claims. 12/1/93

"It is a lot easier for a company to persuade an employee that he is too disabled to continue working than it is to retrench him," he said.

Black teachers threaten to strike

BlDm 12/1/93.

KATHRYN STRACHAN

BLACK schools, which reopened yesterday, could be in for a repeat of last year's disruptions with teachers affiliated to the SA Democratic Teachers' Union (Sadtu) threatening possible strike action.

Sadtu assistant general secretary Thulas Nxesi said yesterday his union would protest against plans by the Department of Education and Culture to retrench about 3 200 teachers at 40 coloured schools.

But teachers would not strike before consulting all parties concerned, including pupils and parents.

Plans to retrench the teachers were suspended late last year when Sadtu teachers threatened to disrupt exams. But negotiations with the department failed to extract a guarantee that teachers would not be retrenched in the new year.

Black schools were desperately short of teachers, said Nxesi, and rather than retrenching teachers government should transfer them to schools where they were needed.

All the problems which triggered last year's "chalkdowns" still existed, he said. Teachers were still victimised for participating in union activities, despite the union being officially recognised, and the poor conditions at schools continued.

Nxesi said the most important task for the year ahead was to revive a culture of learning and to develop a code of conduct.

Meanwhile, Judge Richard Goldstone yesterday announced that his commission was considering investigating violence and intimidation in schools, and requested people to submit any relevant information.

"In recent months the commission has received disturbing information concerning a number of incidents of violence and intimidation committed against members of the teaching profession and even in some instances on scholars," he said.

Sapa reports from Pietersburg that Azapo northern Transvaal spokesman Mautle Phasha yesterday called for an end to the disruption of education through teacher chalkdowns and the involvement of pupils in campaigns during school hours.

□ Department of Education and Training (DET) director-general Bernhard Louw said textbooks and prescribed books valued at more than R80m had been provided to black schools this year.

He said on the first day of the new school year, 2 374 public schools and 5 648 farm schools had registered with the DET, and more than 2,5-million pupils would enroll in public and state-aided schools.

DP leader Zach de Beer signs an autograph for Soweto member Domonic Moyo at yesterday's opening of a new DP office in Kerk Street, Johannesburg. De Beer said the office was an early step on the road to massive voter contact by the DP. Picture. BRIAN HENDLER

Govt, ANC wash their hands of exiles

LLOYD COUTTS

GOVERNMENT and the ANC yesterday denied responsibility for non-ANC exiles in Zambia who had been declared illegal immigrants by the Zambian government.

Both were responding to reports that 700 SA exiles had been declared illegal immigrants after failing to meet a UN High Commissioner for Refugees deadline to leave Zambia. BlDm 12/1/93

ANC spokesman Carl Niehaus said there were "at most" between 150 and 200 ANC staff in Zambia, either because they were legitimately winding up ANC business in Lusaka or awaiting clarification of their indemnity status. Others were students.

"Our chief representative in Zambia is dealing with the Zambian government and pending the outcome of that, (the matter) will be taken up by the ANC head office."

Asked about the non-ANC South Africans in Zambia, Niehaus said: "In that instance it is something for the government to deal with."

However, Foreign Affairs spokesman Jacques Malan said his department had not been approached for assistance, and that the matter was between the ANC and the Zambian government. 12/1/93.

"How can the state be involved if the people don't want to come back?" he asked.

The reluctant exiles said they feared township violence in SA.

Institutional money fuelling boom in industrial property

STAR 12/1/93

By Meg Wilson
Property Editor

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For some time there has been little scope for new property development of any scale, but the industrial sector is now bucking the trend.

The major players in the market are the large financial institutions and big construction companies — which must say something about where they think the economy is going.

For example, demand for industrial space in Strijdom Park, Randburg, has improved to such an extent that owner Sanlam Properties has decided to expand its lettable space in the area by more than 6000 sqm, in a 15-unit mini-factory complex worth about R9-million.

Hugo Mocke, regional manager, investments, says the area has proved to be one of the most popular mini-factory nodes in the PWV. Sanlam's two other developments in the area, Sanlam Industrial Park (35 units) and Tungsten Park (22 units), are fully let.

In the Cape, Propnet has put together a consortium to handle a multi-million warehousing/factory shop development in Maitland.

To be known as Freeway Park, it will have 6000 sqm of lettable space in 45 units which, says project manager Jan van Dijken, will accommodate factory shops and service industries, decentralised offices and micro-factories.

In Natal, Russel Marriott and Boyd Trust, together with Grinaker Construction, will redevelop the old Umgeni power station site in New Germany into a 30 ha industrial township.

Sales value

The retail sales value of land in the township is expected to be around R35 million and the development should bring 86 industrial firms to the region.

Meanwhile, letting of existing industrial space has also picked up. Anglo American Property Services, which administers 143 000 sqm of industrial space as 10 percent of its portfolio, has recently renewed leases on two prime warehousing facilities — one in Heriotdale and one in Robertsham — in deals worth almost R10-million.

And Old Mutual Properties (OMP) let more than 18 000 sqm in its Transvaal industrial portfolio between July and October.

Ian Watt, property investment mananger for Old Mutual, says there is still scant opportunity for developers to create new space speculatively, and that the institution is committed to tenant-driven projects.

However, he says, there is also a real need for job creation, which can best be met by focussing on a manufacture-driven economy — which means increased demand for industrial space.

He also believes the warehousing market will improve as imports from overseas manufacturers and producers grow and as South African beneficiation of raw materials increases.

OMP recently completed six mini-warehouses in Hulley Road, Isando, ranging in size from 600 sq m to 1300 sqm. A second phase of 1750 sqm is to be built in accordance with a future tenant's requirements.

Also in Isando, it leased 3000 sqm in the old Mather and Platt building to cooling tower manufacturer Evapco SA for three years. The building is now fully let, with Marathon Materials Handling occupying the remaining 500 sqm.

Other recent Isando leases were for 1500 sqm with Xeratech and for 800 sqm with Reumech at Old Mutual Business Park.

OMP is custom-building a warehouse and office facility for Warner Lambert SA on a 10 000 sqm site at Fairway Park, Maraisburg Extension 11. It has a further 16 stands, totalling 60 000 sqm available for immeidate development.

Warehousing

It also has a factory/warehouse complex nearing completion at Droste Park, just off the M2 East. The first tenant, Eldon Stationery, has signed a five-year lease for 3462 sqm. At Wemmer Place, south of Johannesburg, LKM Chickens and Greg's Diff and Gearbox leased around 900 sqm each.

In the Cape, OMP recently completed two industrial parks — at Epping and at Montague Gardens. Units at Omupark, Epping 2, range from 500 sqm to 3600 sqm, at rentals from R9/sqm. The first tenants at Montague Gardens Industrial Park have taken occupation, and three more of the 14 factory/warehouse units are under negotiation.

Standard Mutual Fund position is vindicated

By Stephen Cranston 58/

The cautious position of the Standard Bank Mutual Fund, which had 40 percent of its assets in cash at the beginning of the year, has been vindicated, says Standard Bank Fund Managers' MD Derick Finlayson.

Finlayson says that the annual return on the fund was 13,94 percent.

The cash portion of the portfolio earned around 14 percent and the share content of the portfolio generated just over 13 percent — 15 percent ahead of the negative two percent return on the JSE overall share index.

The fund's top five shares are Liberty Life, Richemont, Liberty Holdings, Charter Consolidated and Remgro. SIM

During the quarter the fund increased holdings in Stanbic, Investec, Kersaf and Royal Foods. 12/1/93.

The entire holding in Amgold was disposed of, while holdings in Genbel were trimmed back.

The fund has declared an income distribution of 35,6c.

The Gold Fund's negative return was 22,9 percent, against a 25,6 percent negative return for the gold index.

The fund lightened its holding of Genbel during the quarter and disposed of its Dabi Investments.

The fund has declared a distribution of 4,22c per unit.

The Extra Income Fund's assets increased by 94 percent for the year as investors were attracted away from falling short-term interest rates and negative returns of the equity market to the more stable high-yielding income funds.

The fund maintained the major part of its assets in lower-risk money market investments with a maturity of less than one year.

The fund has performed well with the return of 15,7 percent over one year.

It has declared an income distribution of 2,80c per unit.

The International Fund has made a negative return of 5,65 percent since its launch in May, compared with a 9,7 percent negative return on the overall index over that period.

A maiden income distribution of 3,17c per unit has been declared.

The Industrial Fund has recorded a return of 6,58 percent since May, compared with a negative return of 2,9 percent over that period for the industrial index.

The fund has declared a maiden income distribution of 5,28c.

Southern Equity Fund returns a high 13,59%

Bldm 13/1/93. (58)

DUMA GQUBULE

SOUTHERN Life Unit Trusts beat the market in the 12 months to end December, yielding returns above industry averages.

The Southern Equity Fund, the group's largest with a market value of R158,6m, gave investors a return of 13,59% in a year when the all share index returned -2%.

Southern Unit Trusts GM Carel de Ridder said the fund had turned in a good performance in an extremely difficult market. The key was that fund managers had not seen the market as a whole, but had instead probed for sectors offering value and specific undervalued companies with good earnings track records and prospects, he said.

Major holdings in the fund, as a percentage of market value, were Richemont (5,7%), Johnnies (5%), Mobile (4,8%), Dimension Data (4,4%) and Foschini (4,2%). Liquidity in the fund was 17,2%.

He said the portfolio managers had, during the last quarter, taken a cautious view of the market. The fund had increased its stake in Amgold, Johnnies, First National, Stanbic, SAB, Safren, Foschini and Lefic and disposed of Anamint and FIT.

De Ridder said the new Southern Pure Specialist Fund, the group's so-called socially responsible fund which excludes investments in certain sectors, had performed well since its July launch, due to a low exposure to commodities.

The fund had been one of the industry's best performers over the last quarter, despite the constraints of buying from a selected list of counters, and attracted R9,3m in six months. Much inflow was from first-time investors, mostly people of religious persuasions with objections to investing in companies which earned profits from liquor, tobacco, gambling and interest.

The fund's five largest holdings, as a percentage of market value, were Afrox (9,7%), Dimension Data (6,3%), Mobile (6,2%), Cadswep (5,9%) and Foschini (5,8%). The Southern Mining Fund returned -13,32% for the year, the best performance of all mining funds, de Ridder said. The market value of its portfolio was R19,7m at end December.

Anglovaal N-shares (8,3%), PP Rust (8%), De Beers (7,3%), Anglos (7,1%) and Rusplat (4,6%) were the top counters in the fund, which De Ridder said had outperformed the mining producers index, which returned -23,8%, and the mining financial index with its return of -13,8%.

During the quarter the fund added to its holdings in Driefontein and reduced interests in Southvall and Osil and sold out East Dagga, Harties and Impala.

The Southern Income fund, the fourth unit trust launched by Southern Life, opened to investors last month. The fund had attracted R1,3m. Its focus would be quality, marketable fixed interest instruments, intended to give investors steady income as well as capital growth, he said.

The uncertain economy and financial markets highlighted the need for an income fund. Gilts, he said, were expected to outperform money market returns during the year, offering good investment opportunities.

Bond market set for major change

BIDAY 13/1/93.

(58)

TIM MARSLAND

THIS year will see the phasing in of the Bond Market Association (BMA), with the settlement method being tackled first, BMA CEO Graham Lund said yesterday.

Lund said the BMA, which is a body set up in 1989 to regulate the fixed interest securities market, was putting together its final application for a trading licence from the Registrar.

The BMA executive would meet on Monday to finalise its licence application.

Stockbrokers, deposit-taking institutions, issuers, investors and independent intermediaries are members of the BMA.

Lund said the BMA would tackle the bond settlement system first.

Payment and delivery for bonds are at present settled informally on the second Thursday after the deal takes place.

This is done now by hand delivery of scrip and cheques, which increases the risk of stolen scrip.

Lund said the BMA planned to bring players in the market together in a central place where settlement would take place.

The testing of computerised trade reporting could start around June, he said.

In 1989, banks set up Unexcor, which was charged with setting up the computer system for the BMA.

The Reserve Bank also has a stake in the project, as it provided some of the capital.

Lund said the final phase would be the setting up of a risk management system.

He stressed the start-up dates depended on the licence application.

Shortening the two-week settlement period would also be looked at.

But this, he said, would depend on the needs of the market.

A dealer said that should the two-week settlement period be shortened, speculators would leave the bond market for the futures market.

The SA Futures Exchange (Safex) was planning to set up a new long bond future, which would attract speculators to the futures market, the dealer said.

Safex was considering basing the contract on the all bond index or on a basket of bonds.

The dealer said the withdrawal of speculators from the capital market would harm borrowers. Borrowers were net sellers in the market and did not use it for hedging purposes.

Institutions normally bought bonds for the six-monthly coupon (interest) payment, and required physical delivery, whereas speculators bought the bonds to take advantage of price movements, but did not necessarily want physical delivery.

Shortening the delivery period could have severe implications for the cost of government borrowing, as the bulk of the government's funding came from the market, the dealer said.

Record year for Bowring

DUMA GQUBULE 58

FIRST Bowring has reported a 32% increase in life commission earnings to a record of more than R60m for the year ended September.

MD Peter Dirksen said the most impressive feature had been a 59% increase in the contribution from First Bowring's Natal operations. BIOPSY

The strong performance of the life broking operations in Natal had been a major factor helping First Bowring notch up another overall record year. 13/1/93.

The success had been built on a close working relationship between First Bowring life brokers and First National Bank in Natal.

FNB clients had accounted for 86% of the life business written by First Bowring brokers in Natal during the year.

Southern unit trusts do well

Southern Life's four unit trust funds put in a good performance in the quarter to December, yielding returns above the industry averages. 58

General manager (investments) Carel de Ridder said yesterday the equity fund performance of 13,59 percent for the past year was most encouraging when compared with the average return on the JSE overall index of -2 percent. STAR 13/1/93

"The Southern Pure Specialist Fund has performed well since its launch in July, due mainly to its low exposure to commodities.

"In the first six months, the fund attracted R9,3 million, with much of this inflow coming from first-time investors."

Mr de Ridder said portfolio managers had taken a cautious view of the stock market during the quarter.

Southern Equity Fund increased its stake in Amgold, Anglos, Johnnies, First National, Stanbic, SAB, Safren, Foschini and Lefic and disposed of Anamint and FIT.

The Mining Fund added to its holdings in Driefontein, reduced its interests in Southvaal and Ofsil and sold out of East Dagga, Harties and Impala. The Pure Specialist Fund increased its shares in Suncrush, Foschini and Waltons.

The Southern Income Fund, the fourth unit trust to be launched by Southern Life, opened to investors in December with an initial investment in the money market.

"The investment focus of this fund will be on quality, marketable fixed-interest instruments, aimed at giving investors steady income and capital growth."

Mr de Ridder said the uncertain state of the economy — and more particularly the financial markets — highlighted the need for an income fund.

"Investor confidence has been knocked by the collapse of companies marketing unsecured fixed-interest investments." — Sapa.

the nation in brief

Sowetan 13/1/93

Cast warns of bond boycotts

FINANCIAL institutions that are hostile towards civic organisations will continue to face bond boycotts, Civic Associations of Southern Transvaal deputy president Mr Richard Mdakane said yesterday.

He said, however, the SA Perm Building Society, which gave civic organisations R100 000 for a community development trust and was committed to building low-cost housing, would be excluded from the boycott.

"Financial institutions ... that view our organisations with hostile attitudes will still be boycotted as long as they do not ... commit themselves to low-cost housing," Mdakane said.

The civic movement was faced with the task of changing the culture from one of boycotts to one of paying for services rendered satisfactorily by the local government.

News in brief

Sowetan 14/1/93

(84) (58)

Premiums increase

INSURANCE premium fees will probably have to increase because of the imminent release of 7 500 prisoners from the country's jails, the SA Insurance Association warned yesterday.

SAIA chief executive Mr Rodney Schneeberger said the release of prisoners would almost certainly have an adverse effect on the already heavy crime rate.

"Insurers will come under increasing pressure as a result of a still higher incidence of theft, robbery and general crime which will in due course work its way through to the insuring public who may be faced with increased premiums," he said.

Banks to pull in the reins on loans, overdrafts

By ARI JACOBSON (58)

CT 14/1/93

BANKS will adopt a tougher stance this year on loan allocations and clients who over-step their overdraft limits, banking chiefs warned yesterday.

The Cape Times has been inundated with calls in the new year from individuals and small companies affected by the credit clampdown.

Banking chiefs pointed out that the many banking failures worldwide have been brought on by extending credit too freely — which saw loans developing into bad debts.

SA has had its fair share of banking failures, with in recent times such collapses as that of Cape Investment Bank and the liquidation of the Masterbond financial services group.

First National Bank's (FNB) senior GM Viv Bartlett pointed out: "This hardline stance is not cyclical but rather in line with world wide trends to prevent banks from lending too generously".

He added that tight lending procedures, which customers have argued would prevent the economy from growing, would rather ensure that "limited resources were not extended to the wrong people".

"Weak credit loans are not the way to engender an economic upswing," he said.

Bartlett added that FNB had spent a lot of time and money to set up sophisticated systems "to provide early warnings of potential risks".

"It's our duty to prevent speculative loans and avoid the financing of hare-brained schemes," he said.

Nedcor's divisional director Mike Leeming mentioned that "we have not specifically tightened up in recent times, but rather improved the monitoring of problem accounts".

Leeming said that such accounts would be handled so as to help the client out of the situation "by actually spending time with the individual or company".

"But in the end if the situation is not rectified we would have to turn off the taps."

However Leeming mentioned that certain companies, such as those in the beleaguered textile industry, had good management "and it would be crazy not to support them in harsh times".

Standard Bank's MD Mike Vosloo said: "It is enormously cheaper to nurse someone out of a bad patch than to put them under".

He said that credit-worthy criteria are universally accepted and "it would be imprudent not to take heed of the symptoms leading to a bad debt situation".

Norwich buys CBD block

LINDA ENSOR (58)

CAPE TOWN — Norwich Life SA has bought the Garlicks building in the Cape Town CBD and intends to redevelop it as an office, parking and retail complex with a completion value of just under R60m.

The 2 600m² site is bounded by Adderley Street, Exchange Place and St George's Mall.

Norwich Life property GM Rodney Squire-Howe said the Garlicks building was ideally located in the CBD, which had retained its strength as an office and retail node. BDAY 14/1/93

"There are several major developments taking place in the area and we believe it appropriate to re-establish our presence there," he said.

An office component of 10 500m² on nine floors was planned, with atriums on upper levels.

There would be seven floors of parking with access from Adderley Street and a total of 250 bays. Tenants would have parking on the same level as their offices.

Projected rentals for the office space were R32m² gross, and reserved parking would cost R350 per bay, at just under two bays for every 100m² of space let.

Squire-Howe said two major tenants for offices had already been signed on, although office space would become available only from March 1994.

Of the existing retail space, 1 017m² in the basement and 1 773m² on the ground floor would be retained for retail purposes. The facades of the building, a national monument, would be restored.

Meanwhile, Garlicks is investigating a new location.

Short-term insurers come under spotlight

STAR 14/1/93.

By Derek Tommey (58)

Republic Ratings director Dave King has been causing waves in the financial world in the past year or so by rating the financial health of banks.

Now he is taking a hard look at the short-term insurance industry and its ability to meet claims.

The going had not been easy, he says. So far, only two short-term insurers, the Guardian National and Regent Insurance, have had the confidence to submit themselves for formal ratings, which are based on confidential information.

The outcome has been a happy one.

The Guardian National has been rated AAA, the highest accolade King can give and which means there is an extremely low investment risk — even in bad times.

The Regent, a subsidiary of Imperial Motors, writes only motor vehicle insurance. It has been rated A.

This means there is also a low expectation of investment risk, but that adverse changes in business, economic, or financial conditions could lead to increased risk.

King has informally (without access to confidential information) rated other insurers.

Heading the list is Mutual & Federal, with Commercial Union, SA Eagle, Santam and Aegis also ranked highly.

Other companies get lower ratings because of their relatively lower solvency ratios and large underwriting losses.

King is confident that in time most insurers will agree to be formally rated.

He says the insurance industry's attitude today is the same as that the of the banks a year ago.

The banks said then that rating was not for them. Now some 60 percent of them have agreed to being rated formally.

The award of ratings will be good for the insurance industry as it will allow more creditworthy companies to charge more, says King.

At present there is little correlation between the premiums charged by insurance companies and their creditworthiness.

King says he embarked on the informal rating of short-term insurers at the request of some leading corporations and insurance brokers concerned about the possibility of another AA Mutual-type collapse.

He says people should pay more attention to where they put their insurance.

An insurance company failure could be potentially more disastrous than, say, a Masterbond failure.

"Policyholders should know the relative risk-standing of each insurer when assessing the merits of each premium quote."

He says the rating of insurance companies is inevitable as policyholders focus increasingly on the issue of quality.

Insurance rates warning

(58)

KELVIN BROWN

INSURANCE premiums could rise as a result of government's decision to release 7 500 prisoners, the insurance industry warned yesterday.

The comment follows the announcement last week by Correctional Services Minister Adriaan Vlok of the release of 7 500 prisoners.

B|DAY

SA Insurance Association chief executive Rodney Schneeberger said the move would worsen the already high crime rate.

14/11/93.

"Insurers will come under increasing pressure as a result of a higher incidence of theft, robbery and general crime. This will work its way through to the insuring public who may be faced with increased premiums."

The PWV would be affected most as it had the highest crime rate and paid the highest premiums, he said.

R2,5bn ploughed into unit trusts

BDay 14/1/93. 58

DUMA GQUBULE

INVESTORS ploughed nearly R2,5bn in new money into unit trusts during the year ended December, despite the squeeze on disposable incomes and the poor stock market performance.

Association of Unit Trusts (AUT) chairman Clive Turner said yesterday the market value of the industry's 47 funds had increased to R13,5bn on December 31.

There were 242 000 new accounts opened during the year bringing the total number of accounts to 1,18-million.

He said the figures were satisfactory in the light of prevailing sociopolitical and economic uncertainties.

Unit trust sales during the December quarter were R1,12bn, the third highest in the industry's 27-year history.

Repurchases at R386,2m were the lowest since September 1991, giving a net inflow of R738,2m.

Turner said the industry was greatly encouraged by the lower level of repurchases, which confirmed the view that investors were taking a long term view of their unit trust investments.

Many investors had used the lower price levels to increase their holdings. The main feature of the year, fund managers said, was the income funds which comfortably outperformed equity-based funds.

Declining interest rates had boosted the bond market during the year.

According to the University of Pretoria's Graduate School of Management, which publishes a quarterly review of unit trust results, assets under the management of income funds more than doubled to R2,1bn at end-December from R854m the previous year.

The four best-performing funds over the year (based on a lump sum investment) were all high income funds, with Metboard Income Fund topping the list with a return of 25,66%, the review said.

The AUT said high income trusts continued in 1992 to attract support, with the industry's six funds achieving an average return of 21,32% compared with the 15,67% recorded by the Carsons money market index and the 27,72% achieved by the all-bond index.

The managers of the 21 general equity funds achieved an average total return (income plus capital appreciation) of 6,17% in a year when the return on the JSE all-share index was -2%.

The total returns of the general equity trusts ranged from -4,84% to a return of 15,44%.

The University of Pretoria's Prof Hugo Lamprechts, however, said all the income funds had shown capital losses during the last quarter as long term rates picked up again.

Interest income had helped four of the funds achieve positive returns for the quarter.

He said income funds may not prove as good an investment in the year ahead if long term rates increased. Over the past five years, the return on general equity funds was 20,64% compared with the 16,81% return on the JSE all-share index.

Decline

Among the specialist equity trusts for the past year, the three industrial funds achieved an average return of 10,16% compared with the JSE industrial index's 7,37%. The two gold funds returned an average -25,49% against the gold index's -25,6%.

The six mining and resources funds reported an average 14,88% decline compared with the 13,83% decline in the mining financial index and the 23,82% drop in the mining producers' index.

Over the past three years, based on a lump sum investment, the Pretoria University survey found Sanlam Industrial Trust and Syfrets Growth fund to be the best performers with returns of 22,27% and 20,16% respectively.

Over five years, Syfrets Growth Fund (26,57%) and Sanlam Industrial Fund (24,42%) were the top funds.

Economy set to recover this year

Sowetan 14/1/93.

(58)

THE past year posed a serious threat to a large number of investors due to political uncertainties which to an extent contributed to our economic downturn. We are anticipating a recovery this year but the recovery will not be dramatic.

We have seen interest rates falling in the past twelve months and that trend is set to continue. The effect is that if you have interest-bearing investments such as fixed deposits, your interest or return will be lower.

In my previous article on unit trusts, I mentioned three broad categories of unit trusts you can invest in, to suit your needs and circumstances, ie General Equity Funds, Income and Gilt Funds and Specialist Funds. Today I will look at the income fund, taking into consideration the uncertainties surrounding the stockmarket and the declining interest rates at the banks.

An income fund is a unit trust that is not linked to the equity market. It is designed to benefit you the individual investor who requires a higher regular income with maximum capital stability. When you invest in an income fund you gain access to a sophisticated investment area of above average income return as well as potential for some capital gain through active management of fixed securities. Because of the nature of income funds as unit trusts, high returns can be achieved by the "pooling" of funds which allows you, together with other investors, to have the benefit of securing wholesale rates which are generally

■ Advantages of investing in an Income Fund are highlighted:

unavailable to the retail market and individual investors.

Your investment in an income fund portfolio will be focussed on securities such as:

Debentures

Financially sound preference shares

Negotiable certificate deposits

Other interest bearing deposits

Government and public utility stocks.

You will enjoy a high degree of flexibility and liquidity on your investment - funds are not locked up for a specific period of time, they can be switched to other funds or investments easily and can be made available to you in 48 hours if the need arises.

For an investor who is dependent entirely upon interest income, his or her income reduces as the interest rates drop. Therefore, investment in an income fund will reduce that risk of income lost when rates drop and provide the investor with possible capital appreciation. During a correction at the Stock Exchange or when shares drop for whatever reason, nervous investors take shelter in income funds to have their capital protected. It is therefore your duty to ensure that your investment yields an above-average return in a declining interest rate cycle.

Thabo Sithenjwa is an Investment Advisor of at Syfrets Investment Management Division.

Releases may lift insurance premiums

STAR 14/1/93.

Staff Reporter 58 [redacted]

Insurance companies would probably be forced to raise insurance premiums in the face of the increased crime rate that was likely to follow the imminent release of 7 500 prisoners, the SA Insurance Association warned yesterday.

SAIA chief executive Rodney Schneeberger said in a statement the release and the expected crime rise would have serious consequences.

Correctional Services Minister Adriaan Vlok announced last week the early release from Monday of about 7 500 prisoners to relieve pressure on crowded prisons.

Vlok said prisoners convicted of very serious crimes such as murder, rape and armed robbery would not be eligible for early parole.

Although the SAP has refused to comment on the release programme or its likely effect on the crime rate, individual police officers were furious last week that the convicts they had helped put behind bars were to be freed.

They said the early release would reduce the deterrent effect of prison sentences.

The Association of Law Societies said the move would undermine respect for the courts, but Witwatersrand Attorney-General Klaus von Lieres and Natal Attorney-General Tim McNally said the move was a logical step to relieve pressure on prisons.

ISM split into mini-operations

STAR 14/1/93. (58)

The Information Services Group (ISG) has unbundled its core subsidiary Information Services Management (ISM) in order to respond more quickly and efficiently to the rapidly changing needs and demands of the industry.

ISG chief executive Brian Mehl yesterday gave details of the restructuring process, which began four years ago.

"What we have in effect created is a lot of mini-ISMs operating on their own," he said.

Some 16 autonomous business units have been established from the existing ISM structure and will operate in a specific niche of the information services industry.

Mehl said the change had been necessitated by the accelerating changes in the industry and the inability of the monolithic structure of ISM to respond quickly to those changes.

"The market told us we had to be nimble, agile and focused to service the industry, but we couldn't do this as a big business."

The new structure would enable the group to keep pace with industry changes as well as "make us highly profitable over the next couple of years".

He did not expect much impact on earnings in the next year.

But he felt that the energy that had been unlocked would have a positive impact in the medium-to-long term.

ISG posted attributable profit of R52 million in the last financial year and ISM contributed more than 90 percent to group profits. — Sapa.

MASTERBOND FM 15/1/93 (58)

Burying their heads

For some of the estimated 30 000 people who sell life assurance the temptations offered by unofficially including Masterbond, or similar commission-bearing debentures, in their sales catalogues proved too much. Now some highly respected institutions could find themselves vicariously liable.

Sanlam senior GM Desmond Smith says Masterbond, by offering high commissions, and small investors, lured by high returns, pressured life agents into breaking the rules. Perhaps so, but the life offices — and this may also apply to banks — could be liable for the losses of certain Masterbond investors.

Financial authorities now feel that, if the life offices cannot keep their employees in order, then far firmer controls on agents must be imposed centrally. These can be expected as part of the holistic approach to monitoring financial institutions. This was mooted recently in the Jacobs Committee's report.

Tales of life insurance agents improperly selling Masterbond investments began as a trickle but more are emerging. Smith is taking the issue so seriously that every complaint is reported to him. He acknowledges disciplinary action has been taken and there have been some dismissals.

Sage group subsidiary FPS was also aggressively selling Masterbond. The case of Craig Anderson and Old Mutual (see P25) has embarrassed SA's largest life office. But it is probable that all the major life offices and many other financial institutions have been potentially prejudiced, to the extent of millions of rands, by the actions of get-rich-quick agents.

Ultimately, there are two issues.

By using the status of a life office to sell a product that has nothing to do with the apparent employer, does the agent attract vicarious liability to the life assurer? And, if the life office does have this vicarious liability, was it — through its agent — giving negligent or incompetent advice, for that is what would need to be proved if damages were to be awarded?

Though statute law will probably be introduced, when a Financial Services Bill is enacted, to clarify the relationship of agents to their principals, the relationship is already partially covered in common law.

Tony Davey, deputy GM legal services at Southern Life, fought one celebrated case (Southern/ex parte Van Beyleveld Deventer) up to the Appellate Division, where an earlier Supreme Court decision was overturned in Southern's favour — but only because it was established there had been a business relationship between an aggrieved client and the agent before the latter had become an employee/agent of Southern. The case did nothing to alter the responsibility of principals for the actions of their accredited agents.

Davey mentions some conditions for attaching vicarious liability to the principal:

- ☐ Is the agent reasonably perceived by the client as an employee of the principal and thus representing the principal? and
- ☐ Would a reasonable person consider the advice he is receiving is given in terms of the agent's contract of employment? He says it is not incumbent upon the client to establish that the agent may not sell certain products as a result of his employment contract.

Davey is reluctant to discuss the problems of a competitor and will not comment on whether *prima facie* the conditions for vicarious liability may have existed in the Craig Anderson case.

Smith says Sanlam, when aware that Masterbond investments were being sold by some of its agents, made all members of the field force sign an undertaking not to do so, though, by that time, some of the deals had been processed. Most life companies have rigid rules, insisting that only their own products and those of associated companies, may be sold by agents. Smith says Sanlam will occasionally sanction the use of a non-Sanlam associated institution product, so long as this forms part of an overall investment programme involving Sanlam products and provided the relevant institution is approved by Sanlam's senior management.

Old Mutual's policy is that through its own product range and those of associates Nedbank, Syfrets and SA Perm it has sufficient outlets for every investment need. Life Offices Association director Jurie Wessels says the rules are rigidly enforced by assurers where breaches are known and he is aware of instances where agents have been S-rated for selling non-approved products. S-rating effectively debars a person from selling life assurance products An Old Mutual spokesman points to the difficulty of policing the activities of agents — misdemeanours may be discovered only when matters turn sour.

The fact that so many assurance salesmen were selling Masterbond may prove the best defence for the life offices. If vicarious liability can be proved — and in some cases, at least, it can — that does not necessarily mean the advice given was negligent or incompetent, though it may have been a breach of company regulations. A financial adviser has a theoretical "duty of care," depending on the nature of the relationship between him and the client: a statutory responsibility to "know your customer" has been imposed in the UK and the US and local legislation in future could be influenced by that.

But, at present, it could be argued that, with so many advisers selling a product that eventually failed, they were driven by faith instead of personal avarice, even though the rewards for selling Masterbond were so much greater than selling their own employ-

continued

THE CRAIG ANDERSON CASE

Craig Anderson, a septuagenarian resident of Maritzburg, lost R100 000 when Masterbond Trust collapsed. He thinks that because an Old Mutual manager steered him into the investment, the life assurer should shoulder his losses.

Old Mutual, after protracted correspondence with Anderson, closed its file on the case. Anderson then approached the *FM*, explaining he did not have the resources to fight Old Mutual in court, so wanted a media trial.

Yet Anderson's case reopens a fundamental problem for all financial institutions and life assurers in particular: that is, must they accept responsibility for the actions of their employees and, if employees give unsound advice, are they liable? (See P24).

Anderson says all the factors giving rise to vicarious responsibility were in play and he went to Old Mutual in Maritzburg because of its reputation and its honourable character. He was not aware that servants of the Mutual were debarred from selling products not designed in-group — in this case, an investment in Masterbond.

It is common cause between Anderson and Old Mutual that a district manager of Old Mutual, Mike Hale, introduced Anderson to Masterbond. His signature appears with those of the Andersons on their application form. Hale, who is still employed by Old Mutual, said he was not willing to discuss the issue with the *FM* except to say: "Anderson was offered all sorts of investment plans from within the group. He had the choice of all our associates including Syfrets but he didn't want them.

"He was dazzled by the potential return on Masterbond. In fact, he rolled over his investment with Masterbond on two occasions."

Whether Hale, debarred by his contract from selling Masterbond as an investment, acted improperly, is one of the issues which might determine Old Mutual's responsibility.

In a letter last April from Old Mutual's legal department, Anderson was informed: ". . . there is a dispute between you and Hale about what happened at the time of your Masterbond investment. Hale maintains that he met with you and your wife at your home at your instance. You did indeed mention that you wished to invest R100 000 and he in turn mentioned four possible Old Mutual and Old Mutual related investments to you.

"None of these investments, however, offered you a monthly return that was sufficient for your purposes. You then specifically asked him whether there was another investment he could recommend that paid better interest and at that stage, he mentioned Masterbond to you. Hale categorically denies ever saying that Old Mutual only paid interest on a yearly basis."

Anderson contends Hale did claim Old Mutual paid interest annually and did not mention the Five-Year Trust Plan — "which would have been acceptable" — or the products of Old Mutual associates Syfrets and SA Perm.

Eventually, Anderson wrote to Old Mutual's chairman, who referred the matter to Bobby Jooste, GM individual life, who confirmed his view of the legal department's opinion and closed the correspondence.

Anderson's situation, however much sympathy is due to a 78-year-old investor, raises more than the relatively simple principal/agent issue. *Prima facie,* Hale was (and is) an Old Mutual agent and if he took commission on a product designed outside the group, he broke the rules. It may even be possible that he retains his position because action against him by Old Mutual might have assisted Anderson's case.

But was he, while an Old Mutual employee, negligent or incompetent in mentioning Masterbond? Hundreds of investment advisers were doing the same.

To assume that improper conduct — if it occurred — in the name of an institution is also negligent or incompetent and lacking the "duty of care" — which would have to be the ground for Anderson to recover his Masterbond losses from Old Mutual — is rightfully a decision for the courts, not the media.

Anderson says he has been contacted by many Masterbond investors with similar histories to relate. Perhaps they should pool their resources to test the situation.

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Smith

ers' products.

Independent brokers might well try to shelter behind such an argument.

But the case of an employed agent is very different: if the agent was in a position to bind the principal and that principal has the resources of a major financial institution, it's just possible the institution failed to exercise its "duty of care" — even if it was unaware of its agent's activities.

Bryan Deans

MONEY BROKING FM 15/1/93

Preparing the ground

(58)

Lobbying by the stockbroking, accounting and legal professions, which have been involved in money broking in the past, will have paid off should the Deposit-Taking Institutions Amendment (DTI) Bill be passed this year. It has been tabled in parliament and will be considered by the Joint Committee on Finance in the next few months.

Money brokers receive funds from investors, pool these funds and invest them, at higher rates of interest than individual investors would receive for smaller amounts. Even after the commission to the broker, the cost of borrowing is lower than interest rates paid to banks.

The practice was halted by the DTI Act (to be renamed the Banks Act) of 1990 which compelled them to invest all funds (unpooled) in a registered DTI. But, if the amendment is passed, they will once again be entitled to place funds under their control with entities other than DTIs.

However, Standard Bank's Henry Shaw believes the amendment will have little immediate impact.

He contends that it simply shifts responsibility from the money broker to the borrower, because the Act still provides that the acceptance of deposits as a "regular feature of a business" constitutes banking business by the borrower. Therefore, only a DTI can accept the funds.

So why the amendment? Shaw reckons it is in anticipation of the introduction of regulations facilitating the issue of commercial paper.

Currently the issue of corporate debt instruments on a regular basis is restricted by the Act. Issues, such as the recent SA Breweries R1bn in corporate bonds, don't contravene the Act as they are done on a one-off basis and meet the guidelines as set down by the DTI Office.

But the amendments are expected to allow regular trading and brokers will play an important role in the market.

In terms of the amendment, money brokers will not be entitled to act as princi-

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pals. Which means a broker cannot pool funds and then invest them as a lump sum, in the name of the brokerage. (58)

Their role will be limited to that of agent — where they receive funds from investors and reinvest them.

Ed Grebeck from Millward, Grebeck Securities says the amendment eliminates the banking system's "monopoly" on corporate borrowings.

There are safety mechanisms in the amendment to protect small and uninformed investors. Brokers will be required to inform clients of where funds are invested and at what interest rates. From this investors will be able to calculate the broker's commission.

But many argue protection does not go far enough. Association of Corporate Treasurers of SA spokesman Tom Makinson suggests further that brokers should fall under some regulatory body and be made to pass a "fit and proper" test, as in the case of stockbrokers.

Another suggestion for limiting risk to investors is for the broker to be obliged to hold money in trust. But this entails setting up the system of registration and control which requires significant administrative supervision by the authorities. ■

Banks are treading a fine red line

W/Mail 15/1 - 21/1/93.

58

FOR white suburbanites and black township residents alike, the new year has brought bad tidings: last week's statement to *Business Day* by Council of South African Banks director general Tony Norton to the effect that banks "would be hesitant to give new loans for properties in Diepsloot in northern Johannesburg because of the uncertainty surrounding the controversial Zevenfontein squatters' relocation to the area".

Norton's confirmation of bank redlining signals that extensive discussions between the South African National Civic Organisation (Sanco) and the Association of Mortgage Lenders have failed to bring the bankers into the spirit of a non-racial South Africa.

By refusing mortgages in certain areas banks are missing the spirit of the new South Africa — and leaving themselves open to bond boycotts, argues South African National Civic Organisation president

MOSES MAYEKISO

W/Mail 15/1 - 21/1/93.

The discussions began after our bond boycott call last July finally drew attention to township residents' complaints.

Now white homeowners victimised by the banks may better understand the sentiments in many disadvantaged communities, which began suffering banker withdrawal pains as early as three years ago.

The problem is not limited to Diepsloot, Bloubosrand (where the Zevenfontein community originally settled), or white areas surrounding Ivory Park in Midrand which banks still redline years after the township was established.

If something is not done, large parts of our metropolis will come under the banks' red pen as shack settlements are introduced by development agencies. Sanco's formal policy guidelines condemn the site-and-service shack schemes favoured by the Independent Development Trust, Urban Foundation, Transvaal Provincial Administration and other establishment agencies. Our position remains that decent housing is a human right.

After all, if northern suburbanites are upset when shacks pop up nearby, think how upsetting it is for seven million urban South Africans actually to live, and raise a family, in a shack.

The National Housing Forum must find ways to move beyond the current quagmire in which housing policy has been reduced to site, service and toilet policy.

A democratically determined housing policy is a necessary precondition to ending white homeowners's fears — but today, bankers should not wield power to cause an area's demise at their whim. Aside from their financial arbitrariness, there are crucial social considerations. Whether it is the northern suburbs, Hillbrow, or any black township, the effects of redlining are to fuel racist fears of integration and maintain divided cities.

Sanco believes that banks have for too long cemented apartheid geography with their lending policies, and it is now time for them to become part of the solution, rather than remain a large part of the problem. Our negotiations seek a common understanding of the banks' rights and responsibilities in home lending — and we reached such an understanding with the more enlightened officials of the Perm (no longer a potential mass action target).

But if Norton's position on Diepsloot is not re-evaluated, it may be necessary to toss out the carrot and begin to use a stick or two. Sanco legal advisers are currently drafting proposed legislation similar to the US Community Reinvestment Act which, once an interim government is in place, could compel banks to drop discriminatory policies.

The stakes are too high to let the redlining continue. Banks' policies today prevent people from selling homes in the same black areas where, in the late 1980s, they were enthusiastically granted loans. As a result there is no secondary sales market to speak of, and so banks are putting at risk the several billion rand they earlier sunk into townships. Moreover, now the future of an integrated residential property market for urban South Africa is also at risk.

Citizens across the political spectrum are getting fed up with the banks' record profits, which are derived from high transaction fees and low interest rates on our saving accounts, combined with high interest rates on several more billions of rands in loans to corrupt apartheid agencies and homelands.

And even Finance Minister Derek Keys and Reserve Bank Governor Chris Stals became fed up with the banks' capital flight, and had to call a halt to financing foreign expansion through the finrand. We hope other citizens' groups will join Sanco in developing a feasible and fair response to harmful banking practices such as redlining, so as to assure racial harmony and affordable housing for all.

PROPERTY TRUSTS/STOCK

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As safe as houses?

(58)

Property is usually considered a relatively safe haven for investment during periods of uncertainty. This reputation is in danger of becoming tarnished if the trends indicated in this round-up of property trust and loan stock company annual reports are anything to go by.

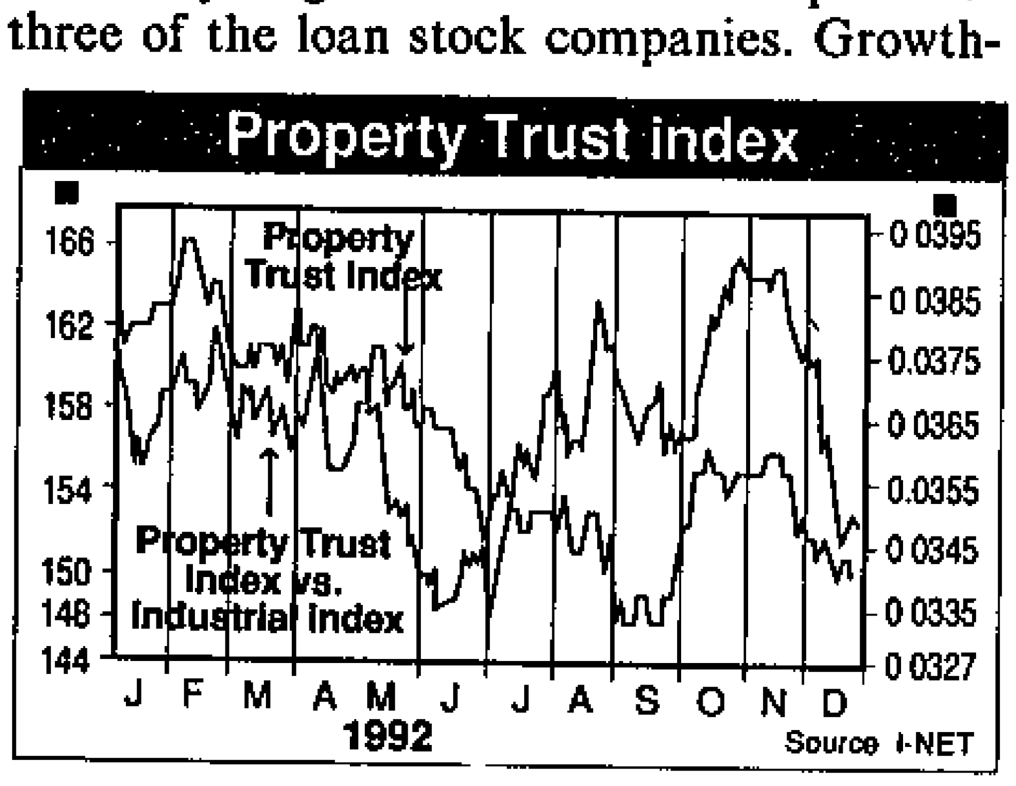
The round-up includes 16 annual reports received over the past six months or so, covering financial year-ends from March to October 1992. Of these, 12 are property trusts and the rest are loan stock companies. The latter, a comparatively new investment medium, are companies with a capital base comprising a small amount of equity to which is linked, indivisibly, a proportionately large quantity of variable rate debentures which are traded together with the equity, as combined units.

From an investment viewpoint, the two common points between these two types of investment are that neither pays tax and both distribute their entire net income to unitholders — the trusts in the form of dividends and the loan stock companies mainly in debenture interest (which is taxable in the hands of the recipient).

Results of the individual companies are summarised in the table. As a group, the 16 produced negative growth in income distributed of 0,7%, which compares with a 3,6% positive growth in dividends applicable to the companies making up the JSE Industrial index.

Similarly, comparison of market prices with the industrial market does not favour these property companies. Collectively, they suffered a 15,2% decline during calendar 1992, compared with a 5,6% appreciation in the Industrial index. The combination of capital changes and income produced a composite negative return of 4,8% for investors in the property companies, versus an 8,3% positive return for the Industrial index.

These averages are, however, distorted by unusually large falls in the market prices of three of the loan stock companies. Growth-



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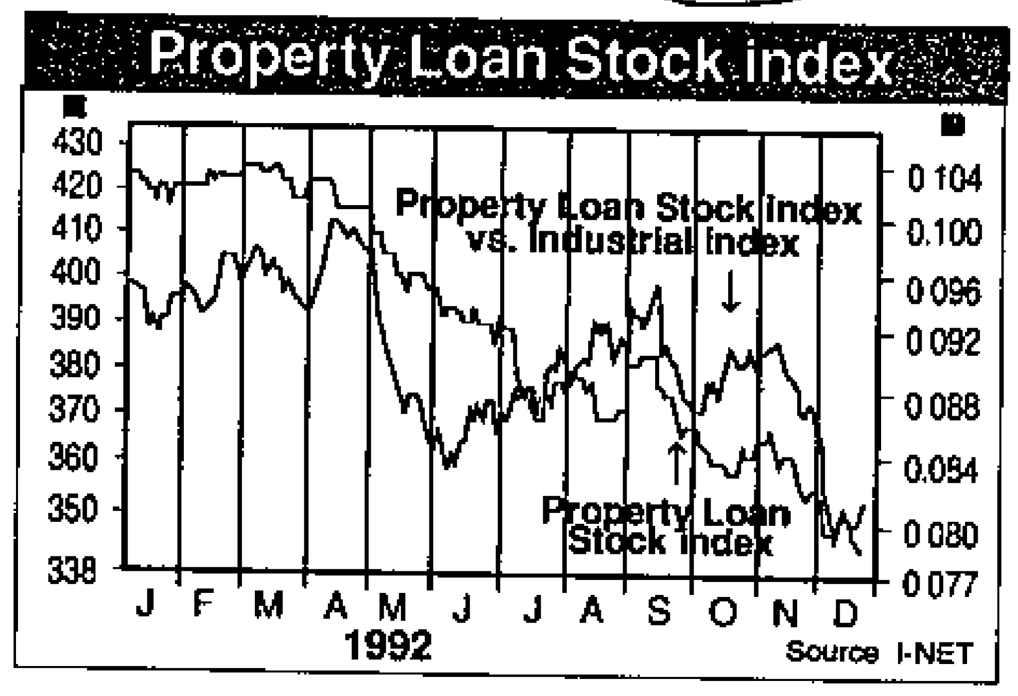

point and Boardprop declined 30% and 23% respectively, reflecting steep drops in distributable income, while Pangbourne shed 27%. The all-in investment return in respect of the 12 property trusts was a vastly better 11,4% which, if nothing else, means the average investor here should have been able to keep pace with inflation.

Even so, the recession has bitten as deeply in the property sector as elsewhere in the economy. Most of the results have been affected by higher vacancy factors and another common — and related — complaint is the oversupply of accommodation, particularly in the commercial field where companies with portfolios dominated by offices have tended to underperform.

Of the five portfolios with more than 50% commercial letting space the only one to show any significant growth in distributable income was Sanland, with a 7,1% gain. Boardprop declined 12,1% and Histone was 4% lower, to give an overall 5,7% fall for this group as a whole.

This was significantly worse than the outcome in the other two major sectors. Rather

Linked to turnover

surprisingly, portfolios weighted in favour of the retail sector produced the best growth, averaging 5,1%, probably because most retail leases have rentals linked to turnover, thereby providing some inflation-based income growth. In the middle comes the industrial sector, with a 3,5% distribution improvement. Though lower than the average for the retail sector, this was a satisfactory outcome in that the average here had to absorb a 9,5% decline at Metprop, which appears to have been one of the main casualties of increased vacancies.

Forecasting future results is hazardous, except to say that few of these companies are likely to produce significant distribution improvements until the economy turns. Even then, benefits will not be evenly spread, at least in the initial stages, as much will depend on what gets the economy moving. A repeat of the usual pattern of a consumer-led upturn would favour retail-based portfolios, whereas if it is export-led (and there seems to be a growing weight of opinion that it will be) the industrial property sector would probably be first to benefit.

On a long-term basis, an over-riding consideration is likely to be whether property managers have succeeded in maintaining the standards of their portfolios during the recession, thereby protecting the rental base. This

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could affect, particularly, retail and commercial space. (58)

A case in point is Sanland: after a takeover of the trust's management in mid-1992 by Sanlam Properties, a review of the condition of the portfolio has revealed that considerable amounts will have to be spent on upgrading properties so that they remain competitive.

The trust has warned that this expenditure could cause distributable income to decline this year. Against that background, coupled with expectations that much of the space coming up for lease renewal will be difficult to relet and the fact that Sanlam and Metropolitan Life beween them own 98% of the units, Sanlam has warned that it could rationalise the trust within its overall property portfolio.

Brian Thompson

'We made mistakes,' OM admits

(S8) CT 15/1/93

By MAGGIE ROWLEY
Deputy Business Editor

AN OVER optimistic reading of the economy and equity market by Old Mutual (OM) unit trust fund managers took a toll with the six funds failing to match previous performances in the fourth quarter ending December.

However, according to Rowland Chute, assistant GM, investments the funds remained well positioned for the expected upturn.

A heavy weighting in De Beers saw the Investors Fund — the country's largest unit trust fund boasting assets in excess of R3bn — give a negative return of 5,1% for the quarter.

The Gold Fund put in a negative 28,4% return, the Industrial Fund a 6% return, the Mining Fund a negative 17,16%, the Top Company Fund 6,9%, and the Income Fund 18,3%.

All six funds had relatively low levels of liquidity and were heavily exposed to equities which generally did not perform well.

"We made some mistakes. We had positioned ourselves for an upturn during 1992 which did not materialise — which was a problem," said Chute.

However, he said that while 1992 had been a disappointing year for the equity market, they remained reasonably optimistic about prospects for the second half of 1993 and 1994 and were hoping to make up relative losses in the short term.

Chute said some of the selections had not been "spot on", but with hindsight in terms of positioning the fund they would have done "95% of the same".

Last year had been the strongest period ever for bonds, with the long bond market staging a major bull rally. A repeat of this performance in 1993 was unlikely and the pendulum was likely to swing towards equities.

A projection of where yields would be ranged from 9% at share earnings yields of 5% to 28% with an earnings yield of 3% over the next few years.

He said there had been few repurchases.

The fourth quarter had been marked by a R113m inflow to OM funds as investor sentiment turned bullish on stock market prospects for this year.

There were few changes in the unit trusts' portfolios during the quarter with most of the funds being fully invested. The major change was to swop part of the De Beers' holdings for stakes in Anamint, which has a 29% stake in De Beers.

FINANCIAL SERVICES

Appealing rules

FM 15/1/93

(58)

Procedures for appeals against decisions of the Financial Services Board (FSB) have been published. The process could be protracted.

Financial institutions have been awaiting the details since the board was established as a privatised version of the Financial Institutions Office.

When details of its brief were gazetted, there was some consternation at powers, described as draconian, accorded the board's CE. The board is financed by levies on the institutions it regulates.

A *Government Gazette* decrees that appeals against an FSB decision must be lodged with an independent appeal board within 10 business days of the decision, accompanied by R100. Within a month, the FSB must furnish reasons for its CE's decision. The appellant has a month to deliver written notice of appeal and the grounds for it.

The secretary of the board of appeal then furnishes the appellant with a record of the proceedings which gave rise to the original decision — if such a record was made. The secretary will then fix a time and place for the hearing.

Delays in setting dates will, of course, depend on the number of appeals and the resources of the board.

According to the board's legal department the only complaint so far received relates to an attempt to register a friendly society and this has not yet entered the appeal process. ■

Old Mutual funds dip to low point

(58) (2339)

THE six unit trust funds in the Old Mutual stable failed to match previous performances in the quarter to end-December 1992.

But the fund managers were optimistic that the portfolios were well-positioned for an expected turnaround in the country's economy. BIDAY

The funds had very little liquidity, compared with the rest of the unit trust industry.

A significant exposure to equities, on the whole, did not achieve good results. 15/1/93.

A presentation by Old Mutual in Johannesburg yesterday showed its six unit trusts in the short term, and especially over the last quarter, were among the poorest performers in the industry.

However, with the exception of the gold fund, the unit trusts' longer-term performance remained solid and provided good returns for the investor.

There were few changes in the unit trusts' portfolios during the December quarter, with most of the funds being fully invested.

Old Mutual investments manager Roland Schute was cautiously optimistic on the outlook for the equities market this year. — Sapa.

Institutions 'hold back on loans'

Private sector housing plans 'bogged down'

BLDM 15/11/93.

GRETA STEYN

MAJOR private sector initiatives to tackle the housing crisis have failed to get off the ground, says a confidential discussion document prepared for the National Housing Forum.

The report, written by Mike Oelofse and Conrad van Gass of the Urban Foundation and Built Environment Support Group, was prepared for the forum's working group on finance and subsidies.

The forum declined to comment on the document, but a source said it would be used as a point of departure to set priorities. It emphasised that the private sector had a major role to play. While this role was not yet being fulfilled, the essential elements were in place to achieve this.

Quoting a banker, the report said only a very small portion had been committed of the R3,5bn pledged by financial institutions in 1989 for low-cost housing over a three-year period.

The report noted that for home loans below R43 000, the estimates of private sector involvement were "bleak" and indicated a "dearth of loan finance reaching low-income households". The Home Loan Guarantee Company (HLGC), set up more than two years ago to insure financial institutions against risk, had insured only 9 000 individual homes, with an estimated value of R300m.

"It is worth noting that the HLGC initiative was originally structured to facilitate the provision of R1bn in conventional mortgage finance from home loan institutions. This capacity should have ... been able to generate approximately 25 000 individual home loans," the report said.

Most major mortgage lenders had agreed in principle to participate in the loan guarantee initiative, but with the exception of the Perm, they were not contributing significantly to financing housing below R43 000.

The contractual savings industry had also displayed an insignificant level of involvement. The industry had explored innovative mechanisms to get involved in financing low-income housing such as the Group Credit Company, the Perm Salary-Linked Home Finance initiative, the Urban Foundation/Old Mutual initiative and the South National Superfund and Metal Industries Group Pension Fund. "These initiatives are not yet making a significant impact on the low-income housing market as a whole," the report said.

It was difficult to obtain figures for funds that pensions and life offices were channelling into socio-economic investment projects, specifically housing. However, anonymous industry estimates put the figure at about R2bn, or about 1% of total assets.

Private sector developers had also taken a "risk-averse" stance to IDT-subsidised homebuilding. Of all successful applications, only 9% had been from private sector developers.

The report noted that financial institutions saw the main factors constraining the supply of funds for low-income housing as a perceived or actual instability of the political environment and the general investment mood in the economy.

For banks, an added problem was the

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Housing

BDM 15/11/93

From Page 1

administrative complexity of handling small loans (where the risks of default were also often perceived by lenders to be higher than for larger loans).

The report emphasises that the private sector could potentially play a major role in reducing the housing backlog, while state expenditure could be put to more productive use. "Arguments for increased public expenditure beg the question of how best to achieve this."

The research showed "beyond doubt" that a "vast" amount of funds could be mobilised by the non-government sector towards finance initiatives that would help the poor gain access to housing.

The report said the essential elements were in place, such as an in-principle willingness to invest funds, the instruments to raise finance and the institutions through which funds could be channelled to borrowers. New initiatives should be developed around these elements.

Insurance hike warning lashed

KELVIN BROWN (58)

REPUBLIC Ratings yesterday strongly criticised the insurance industry's warning that insurance premiums could rise after the government's decision to release 7 500 prisoners. BIOAM

Republic Ratings director Dave King questioned SA Insurance Association (SAIA) justification for a unilateral premiums increase when about 10 000 prisoners were released every month. 15/1/93.

The agency's recently completed risk assessments of all SA's short-term insurers showed certain insurers were already charging "excessive" premiums.

King warned the public not to accept rate increases without ensuring they were justified.

Meanwhile, DP MP for Yeoville Douglas Gibson said the average consumer believed many insurance companies were "ripping them off", upping premiums, but not paying claims, Sapa reported.

Syfrets corrals 43% of unit trusts investment

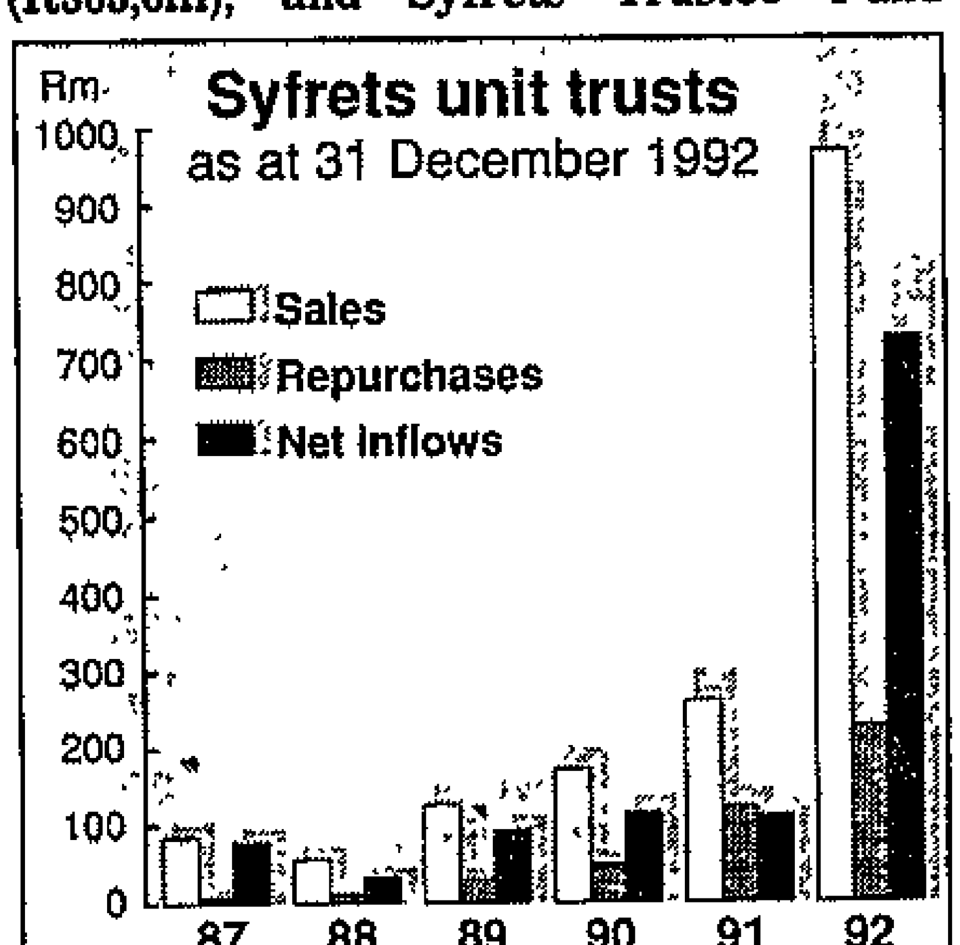
B/DAY 15/1/93. (58) (022)

LINDA ENSOR

CAPE TOWN — Syfrets unit trusts experienced a net inflow of R318m during the quarter to end-December, an amount which represented 43% of the total inflow of R738m into the unit trust industry during the period.

Of this amount R167m was attracted into the Syfrets Income Fund, the highest net inflow into any one fund.

The total market value of all the Syfrets unit trusts soared 42% to R1,7bn (R1,2bn) last year, despite the poor JSE performance. The market value of Syfrets Growth Fund reached R746,2m (R459,3m) by year-end, Syfrets Income Fund R643,1m (R363,6m), and Syfrets Trustee Fund R343,7m (R336,7m) while Syfrets Gilt Fund — launched last April — reached R268m.



Graphic RUBY-GAY MARTIN Source ASSOC OF UNIT TRUSTS

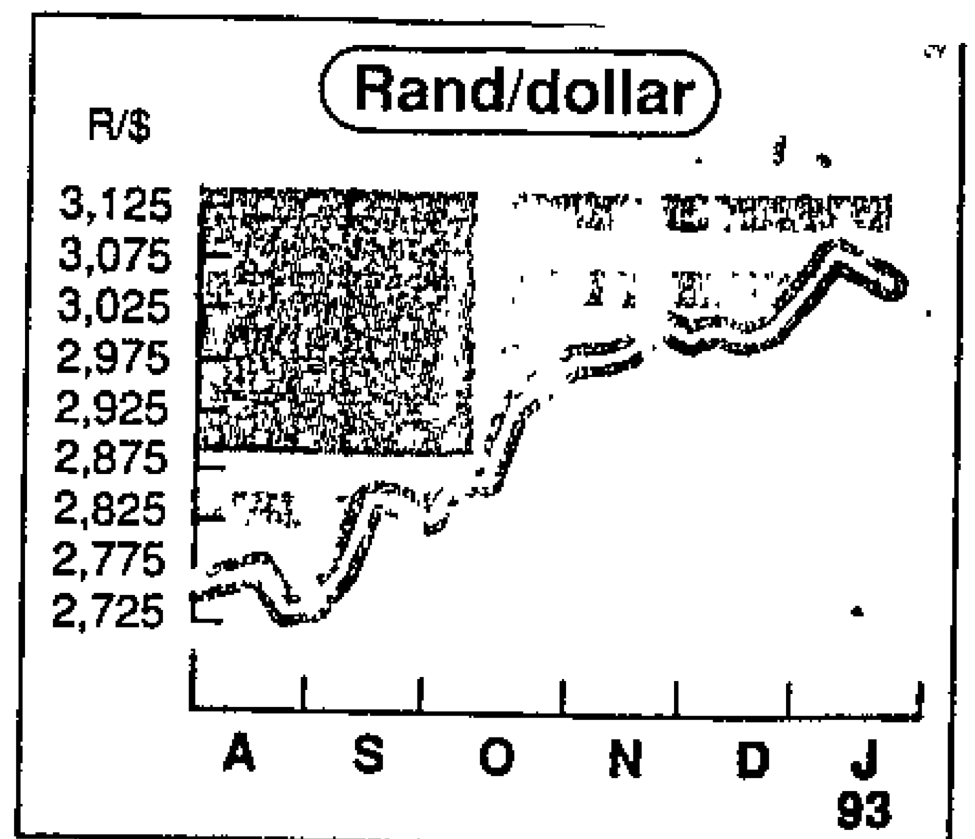
Syfrets Growth Fund produced a return of 15,10% in the year to end-December, compared with the 2,04% quarterly decline in the all share index. It declared a quarterly income distribution of 2,91c a unit, bringing the year's total to 12,28c a unit.

The equity portion of the fund represented 79,6% of the total and changed little during the quarter. Three new strategic holdings were acquired in SA Freight Corporation, KNJ Group and Clinic Holdings.

Syfrets Income Fund, which invests mainly in deposits, gilts, debentures and NCDs, produced an annual return of 20,3% and declared a quarterly income distribution of 3,55c a unit which brought the total for the year to 15,33c a unit. The fund performed strongly despite a correction in the bull trend in the capital market.

Syfrets Gilt Fund declared a quarterly distribution of 33,31c a unit. The fund benefited from a switch by investors from equities to bonds which resulted in a net inflow of R84m.

The more conservative Syfrets Trustee Fund, which invests trust monies, produced an annual return of 5,35% and declared a quarterly income distribution of 1,22c a unit, bringing the total distribution for the year to 4,97c a unit.



Graphics LEE EMERTON Source: I-Net

Major dollar sales boost the rand

TIM MARSLAND

TWO major dollar sell orders helped the rand end stronger against the US unit yesterday, but a major commercial bank suffered heavy losses after misreading the market, dealers said.

The rand ended at R3,0703 to the dollar from an overnight R3,0716. The pound closed at R4,7198 from R4,7355.

The dollar ended weaker against major currencies. BDAY 15/1/93

A dealer said one commercial bank had sold dollars aggressively into the market on behalf of an oil firm which had an order of about $30m, while another bank handled a sell order of about $40m.

The banks selling took positions in line with the deals, which conspired to push the rand even higher.

However, one commercial bank suffered major losses.

"The firms behind the sell orders saw the rate at around R3,0600 this morning, decided 'this is a bargain', and sold.

"But the commercial bank was hoping for a weaker rand," the dealer said.

It was forced to cut its losses in the afternoon when it became clear the unit would not weaken as expected, he said.

Another dealer said the coalition attack on Iraq had had little effect on the market.

The financial rand was well bid, although there were "sellers in the wings" around the R4,82 level.

A dealer said the unit had picked up earlier in the week on rumours that an interim government would be in place by March.

However, reason prevailed and the unit came back down again, he said.

The investment unit ended unchanged at R4,8250 to the dollar.

Banks hit back at Sanco proposal

(58)

WILSON ZWANE

ABSA said yesterday it was not necessary for the SA National Civic Organisation (Sanco) to bludgeon banks, through legislation, to invest more in townships' housing development. Bdom 15/1/93.

Sanco president Moses Mayekiso said this week financial institutions' reluctance to give township residents home loans had given rise to a need for legislation to force them to grant the loans.

Sanco's legal advisers were drafting such legislation, modelled on the Community Reinvestment Act in the US. Once drafted and approved by Sanco's executive committee, the legislation would be discussed in negotiations with the government of the day and the Association of Mortgage Lenders with a view to its implementation.

Until then "red-lining in many black, grey and white communities will be vigorously opposed by Sanco", Mayekiso said.

Absa spokesman Kevin Gibb said there was no need for banks to be compelled to lend to township residents. Gibb said prevailing conditions, such as unrest and threats — by Sanco — of bond boycotts, affected banks' operations in the townships. He stressed that reluctance to lend to unstable areas was common business practice and had "no racial overtones".

Banks had an equal obligation to their borrowers and shareholders. But should the situation change for the better in the townships, banks would be "more than willing" to pump "massive" amounts of

☐ To Page 2

Sanco

Bdom 15/1/93.

☐ From Page 1

money into housing there.

FNB senior GM Norman Axten said although there was a pressing need for more investments in the townships, financial institutions were reluctant to invest because of the high risks involved. 15/1/93

He said if Sanco's proposed legislation was passed into law, he would be surprised if it forced banks to ignore prudent risks.

On Mayekiso's claims that banks were buying "expensive" overseas banks without establishing branches in the townships first, he said his bank had an extensive network in black areas. Acquisition of overseas banks was aimed at raising money to be used for the country's interests, Axten said.

Association of Mortgage Lenders spokesman Martin Milburn-Pyle said yesterday Sanco's plan to regulate banks' operations in the townships would be discussed at length at the two organisations' meeting on February 4.

KATHRYN STRACHAN reports that Mayekiso said yesterday that in order to protect their interests, banks were fuelling racist fears about the relocation of squatter communities.

He said a recently published Central Witwatersrand Metropolitan Chamber report showed Absa owned nearly 6 000ha of land in the PWV. This undeveloped land was threatened by the TPA's plan to create informal settlements in these areas, Mayekiso said.

Banks had added to the hysteria surrounding the relocation of the Zevenfontein squatters to Diepsloot by predicting that property values in the area would fall.

Absa spokesman Gavin Webster said nothing could be further from the truth than Mayekiso's political assertions, and they did not merit further comment

Consumer king of new code

Star 16/1/93.

(58)

St

Aim not to police errant estate agents

MEG WILSON
Property Editor

THE code of conduct for estate agents, set down by the statutory Estate Agents' Board (EAB), has been fundamentally revised for the first time in 15 years.

The effect of the changes, which will come into force on April 1, is to make the code a document solely for the protection of consumers.

EAB assistant manager Clive Ashpol says provisions in the previous code which were actually in the interests of estate agents have been removed.

"This will place the EAB squarely in its rightful role as a consumer protection body. Agents have the Institute of Estate Agents to look after their interests."

But EAB chairman Eskel Jawitz points out it is not the board's intention to function as a "policeman".

Opinion

Rather, it would like to create wide awareness of the new code of conduct in the belief that prevention of any dispute is much better than trying to rectify matters after a deal has been done.

For both buyers and sellers, one of the most important provisions of the new code is that the opinion of an agent about the probable market value of a property will now have to be proved.

Ashpol says this does not necessarily mean the agent will have to be a qualified valuer, but that he or she will have to satisfy the board, should the valuation be queried, that it was entirely justifiable.

"The agent is going to have to reveal the underlying assumptions on which the value was based — for example, an authoritative economic forecast or, even better, a comparative market analysis (CMA)."

A CMA is a document drawn up by an agent showing the asking prices and eventual selling prices of similar houses in a specific area.

It is a most useful tool to enable the seller to put a realistic value on his home if he genuinely wishes to sell it within a reasonable period of time.

However, Delene Burman, an estate agent who is also an executive member of the Institute of Valuers, says the residential market is so confused at present that sellers should seriously consider obtaining professional valuations before putting their house on the market.

The advantages, she says, are that the owner gains an impartial view of what the property is worth, the agent is protected against an owner insisting on an inflated value, and a buyer may be more willing to accept a price based on a valuation.

Sellers are also protected by several provisions in the new code regarding the granting of sole mandates.

Among these is that the expiry date of a sole mandate must be expressed as a specific calendar date, agents may not accept a sole mandate which also includes a power of attorney unless the possible repercussions and consequences of such a move are properly explained, and agents may not compete for a sole mandate on the basis of an unsubstantiated property value.

Other provisions of the new code include:

- Buyers will be protected against undesirable marketing techniques.
- Discrimination by an agent against a buyer or seller on grounds of race, religion or gender in terms of service rendered is prohibited.

Special skills

- Agents will be allowed to accept a mandate requiring special skills or knowledge only if they in fact have those, or are assisted by someone who does.

Consumers will, as before, have recourse to the EAB if they believe the code has not been adhered to, but they should remember that the fines which can be imposed on errant agents are not much of a deterrent.

They are still set at a maximum of R1 000 per count, although the EAB has applied to the Minister of Trade and Industry to have this increased to R10 000.

Institute of Estate Agents president Ian Taylor says agents are not alarmed by the new code.

He says only about 20 percent of estate agents are members of his organisation but these agents probably do 80 percent of residential property deals, "so we do speak for the industry".

The only problems he can foresee with the new code is if a dispute arises between agents.

Wed Jan 13 quotations for unit trusts:

General Equity Funds:

ABSA	139,74	130,72	5,65
BOE Growth	152,58	142,55	3,56
Community Growth Fund	109,15	103,13	n/a
Fedgro	123,98	115,75	4,98
CU Growth	115,89	108,20	4,39
Guardbank Growth	2461,73	2306,43	4,86
IGI	131,58	123,32	3,48
Momentum	235,32	220,37	4,51
Metfund	190,54	177,80	4,30
Metlife	117,35	109,66	7,20
NBS Hallmark	942,35	880,03	5,19
Norwich	351,78	328,49	4,08
Old Mutual Investors	2629,84	2452,01	3,65
Sage	2383,60	2224,84	4,07
Sanlam	1624,06	1518,63	3,41
Sanlam Index	1205,06	1128,53	4,01
Sanlam Dividend	453,58	425,25	4,73
Southern Equity	206,71	193,50	4,15
Standard	1164,69	1093,95	7,10
Syfrets Growth	289,25	270,82	4,53
Syfrets Trustee	119,40	111,83	4,44
UAL	2034,13	1910,06	5,29

Specialist Equity Funds:

ABSA Industrial	133,28	124,67	4,24
Guardbank Resources	127,41	119,39	6,57
Guardbank Industrial	124,18	116,42	5,87
Sage Resources	96,12	89,87	6,34
Sanlam Industrial	1049,12	981,79	3,27
Sanlam Mining	236,27	221,14	5,47
Southern Mining	117,97	110,46	5,61
Southern Pure	120,70	113,01	n/a
Standard Gold	125,99	118,13	8,31
Standard Industrial	109,88	103,57	5,10
Standard International	102,49	95,96	3,30
UAL Mining and Resources	324,62	304,04	4,71
UAL Selected Opportunities	1911,34	1788,18	3,81
Old Mutual Mining	210,93	196,39	4,80
Old Mutual Industrial	362,62	337,88	4,05
Old Mutual Gold Fund	76,76	71,49	7,11
Old Mutual Top Companies	239,78	223,52	4,65

Income/Gilt Funds:

Guardbank Income	118,27	115,84	14,58
Old Mutual Income	110,09	108,89	12,56
Southern Income Fund	524,19	513,71	n/a
Standard Income	92,86	91,89	13,53
Syfrets Income	108,31	107,22	14,30
Syfrets Gilt	1088,04	1077,16	n/a
UAL Gilt	1210,64	1198,53	12,93

Investors bullish about 1993

SOUTH 16/1 - 20/1/93. (58)

OLD Mutual Unit Trusts had a R133,4-million inflow in the December quarter as investor sentiment turned bullish on stock market prospects for 1993.

Senior portfolio manager Mr Adrian Allardice says investors have been taking the view that after the market hiccups of the past year, the outlook for equities is at least mildly encouraging and, with interest rates continuing to head lower, the JSE will attract investment.

"Our view is still that there is at least a better than 60 percent chance of equities moving up this year. Investors should be investing in equity unit trusts. The market held up reasonably last year in spite of political setbacks and violence, with the pessimists once again being disappointed."

Allardice says the market is not cheap, but that there is considerable latent demand for equities and that interest rates should remain low this year.

"Political sentiment will play a major role in determining the market's direction along with economic fundamentals. The first six months are likely to be tough with unemployment increasing, but the second half should see some improvement."

Unless there are unexpected new tax measures, the Budget is unlikely to have much impact on the stock market in the medium term.

"Although we are still receiving mixed signals on the world economy, looking back in 18 months' time economists will probably recognise 1993 as the turning point."

On gold, Allardice says he is not optimistic on the outlook but nor is he overly pessimistic.

"We are probably going to see the rand gold price hovering around the R1 000 an ounce level for some time.

There are few changes in Old Mutual Unit Trusts' portfolios during the quarter, with most funds remaining fairly fully invested.

Old Mutual Investors' Funds switched part of its De Beers holding into Anamint with small additions to both Sasol and Tongaat. Liquidity rose from 9,4 to 11,6 percent on the back of strong inflows.

Old Mutual Top Companies' major purchases were Natsel and Murray and Roberts, while the holdings of Sasol and Fraser Alexander were topped up. Liquidity rose to 17,2 percent. Shares sold included mail order house Mas Holdings, ferrochrome producer CMI and Samancor. Top Companies portfolio is focused on blue chips and emerging blue chips.

Old Mutual Gold Fund increased its stake in Harties and Zandpan as well as Elands. The holding in Westwits was sold and some Southgo were sold. Liquidity increased marginally from 9,1 to 12,4 percent.

Old Mutual Mining part switched from De Beers to Anamint and the stake in Lydenburg was sold. Rusplats was a new holding while there were additions to Rand Coal and Anglos. Liquidity rose to 12,9 percent.

Minority bite back at their bank adviser

S Times [8455] 17/1/93. (58)

THE method by which Standard Merchant Bank arrived at its fair-and-reasonable statement in evaluating Racy came under severe scrutiny in Racy's general meeting this week.

Racy's directors, who themselves formed the consortium that bought Racy's assets, appointed SMB to act on behalf of the minority and to advise them.

SMB's Mark Barnes attended the meeting.

At issue was the discrepancy between the stated book net asset value of 83,6c a share and the 51c which was effectively offered by the consortium and which Mr Barnes found fair and reasonable.

Members of the minority were distressed that Mr Barnes had made no attempt to contact any of them in regard to valuing Racy. Many have knowledge of the transport business and believed their input would have been relevant.

Mr Barnes said they were not consulted because SMB acts independently. But the minorities were not satisfied, particularly when Mr Barnes conceded that he had discussed various issues with the management of Racy.

The minorities saw this as a clear conflict of interest because the management wanted to buy the assets and would have painted the least favourable scenario.

Mr Barnes denied this, insisting that the directors were to be regarded as sellers not buyers.

SMB's evaluation was based on the earnings potential of the assets, not on the net asset value.

Mr Barnes said the evaluation and other working papers were not public documents and he was not able to make them available to the minority, even though Mr Feldman, acting for certain minorities, had requested them.

In summary, SMB considered the weighted average profits before interest and tax, applied a gearing adjustment, looked at capital expenditure and used a sustainable debt-equity ratio of 35%.

The interest was deducted and a price five times earnings arrived at as the value of the company — namely, R12,75-million or 51cps.

Racy's auditor, KPMG Aiken & Peat's representative Theo Jager, agreed with Mr Barnes that 51c was fair and reasonable.

He was told he could not have it both ways — opine in annual accounts that net asset value was 83,6c then endorse a bid at 51c only two months later.

One member, Charles Levy, quoted from Racy's 1990 annual statements that the net book value of the fleet was R20-million and the realiseable value R24,2-million — that being the opinion of the directors. No loss had been incurred since then and another R5-million had been spent.

"The assets should be worth R30-million and you've got R12-million," Mr Levy told Mr Barnes. "I have to pinch myself to remind me that you represent the minority."

Mr Levy said the company had generated a cash flow of 70c a share every year over the last five years if depreciation is added back.

He said he was prepared to swear on the Bible and in court that Cyril Hendler told him in June 1992 that Racy would earn 18c that year because new contracts had been won.

Mr Barnes did not consider cash flow in his valuation. SMB was paid R100 000 for the fair-and-reasonable statement.

Mr Barnes said two transport experts were consulted on valuing Racy, one of which was Unitrans. Unitrans had looked at Racy with a view to an acquisition last year. The minority was of the opinion that Unitrans's figures would have favoured it as buyer.

Neither the tangible asset value was considered, nor was any value attributed to agencies and franchises held by Racy. A 5 by 5 insurance policy maturing in September this year at R772 040 was valued at R465 000.

A fixed property at Springfield, professionally evaluated at R2-million in July 1992, was lopped to R1,5-million by SMB because it was designed as a transport operation.

In answer to a question from Issy Goldberg of the Shareholders' Association, Mr Barnes said he advised shareholders to accept the 56c offered "without hesitation".

Upwardly mobile on w

Linda Stafford

FORGET about doing it standing up; these days, outdoor types are doing it sitting down and crouching forward. That is, they are mountain biking, set to take over from jogging as the sports sensation of the 90s.

minium to titanium and carbon fibre".

Cape Cycle Systems imports the top-of-the-range Cannondale, at between R3 500 and R12 000, as well as market leader Diamond Back, at between R1 200 and

Stals says Bank's critics are unfair

(40) TIM MARSLAND (58)

IT WAS unfair to insinuate that the Reserve Bank had failed to stabilise the financial rand rate through intervention, Governor Chris Stals said at the weekend.

Stals was reacting to market speculation that the Bank planned further steps to boost the investment unit.

This included increasing the amount of finrands banks could hold overnight. At present banks are restricted to holding amounts of between R500 000 and R2m.

A dealer said: "This means when the market shuts in the afternoon, we have to sell off whatever finrands we're holding at the best price we can get. It causes sharp price movements late in the day."

Stals said the intervention was introduced mainly for the purpose of managing domestic liquidity.

On the possibility of IMF and World Bank facilities being made available to SA, he said: "It is still very uncertain when IMF facilities (to cover temporary balance of payments deficits) or World Bank finance (for project development) may become available."

Another dealer said raising the amount of minimum quotes to $2m from R2m was also under consideration.

Stals said authorised dealers in financial rands had to decide the minimum level for themselves. BDay 18/1/93

Asked whether there were any plans to widen the investment uses of the finrand for foreigners, he said the Bank had no plans "at this stage".

Code will protect home buyers

TRACY SCHNEIDER

A NEW code of conduct to be introduced on April 1 would afford home buyers greater protection, Estate Agents' Board manager Andrew Harrison said last week.

Important clauses included the estate agent's obligation to inform the client in writing of his right to claim interest on deposits.

"Failure to do this could result in disciplinary proceedings by the board and clients can also claim damages through civil action", assistant board manager Clive Ashpole said yesterday. (58)

Estate agents would be required too to prove probable property market values and undesirable marketing techniques such as misleading property advertisments would be stopped. BDM 18/1/93

The code also prohibited racial, religious or sexual discrimination against a buyer or seller.

Important contract stipulations and implications would have to be explained to the contracting parties, before signing agreements.

Several provisions regarding sole mandates were contained in the new code, including expiry dates of sole mandates.

Henk Delport, mercantile law professor at the University of Port Elizabeth, said yesterday estate agents would be the biggest beneficiaries of the code.

He said the new code of conduct differed significantly from the old one and estate agents would be well advised to study it carefully to ensure compliance with its provisions.

Bank faces big forward cover loss

BiDay 18/1/93

GRETA STEYN

FORWARD cover losses incurred by the Reserve Bank in November and December could have reached as much as R725m, according to figures on the Bank's balance sheet. (58)

The losses are government debt and are reflected as part of "other assets". The December statement of assets and liabilities shows an increase of R292m in this item after increases of R433m and R81m in the previous two months.

Economists said the dollar bull run had pushed the Bank into a loss situation. UAL economist Dennis Dykes said forward cover losses were incurred when the exchange rate fell quicker than the interest rate differential between SA and its trading partners. It was likely that the Bank had incurred losses during the recent dollar bull run, but this had probably been offset by profits made earlier in the year.

The Bank's balance sheet also shows a R1,5bn fall in foreign exchange reserves, probably also reflecting the effects of the dollar bull run.

AHI economist Nick Barnard said the quarterly rollover of forward cover on third currencies had probably meant substantial dollar outflows in December.

The strong dollar could also cause the Bundesbank to keep German interest rates high. If SA interest rates fell, the relatively cheaper cost of credit could cause SA companies to switch from foreign to domestic trade credit. This would knock the foreign exchange reserves because the foreign debt would be settled before switching.

An extended dollar bull run could further depress the reserves if fears of currency depreciation sparked "leads and lags", with importers rushing to buy forex and exporters delaying sales.

Prima Bank increases income by 24%

By Stephen Cranston (58)

Prima Bank increased income by 24 percent to R2,1 million and capital by 98 percent to R24,9 million in the six months to December. STM 19/1/93.

On an annualised basis, the bank achieved a return on capital of 35 percent, which puts it among the highest in the banking sector.

MD Clive Ferreira says that the 1,2 percent return on assets compares favourably with the norm of 1 percent.

Prima also boasts a 15 percent capital adequacy ratio, well ahead of the Deposit-Taking Institutions Act requirement of eight percent by 1995.

Ferreira attributes this to the bank's restrictive lending policies, internal growth and the issue of an additional six million shares.

He says Prima has low credit exposure and good risk management policies, has adapted to changing market needs and has increased sources of recurring income.

Ferreira says that the building blocks are in place to ensure that the current performance trend will at least be maintained for the next six months.

BoE and stokvels on brink of clinching deal

58

WILSON ZWANE

THE Board of Executors (BoE) and stokvels are on the brink of reaching an agreement on a joint venture aimed at developing a special investment product for stokvel members. BIDAY 19/1/93

Negotiations between the financial institution and the National Stokvels' Association of SA (Nasasa) have been going on for months. But both BoE and Nasasa have repeatedly refused to comment on their negotiations, saying to do so could derail them.

The negotiations began after it became clear, Nasasa did not like Syfrets-administered unit trusts.

It is expected that BoE and Nasasa will clinch the deal soon, possibly this week. Informed sources say the deal — the first of its kind — will be of "great significance" to the economy.

Nasasa consultant Stephen Japp said recently, a number of companies in the US and Britain had signalled they would invest in a specially designed unit trust product for stokvel members, provided it yielded good returns and was "benefiting people on the ground". 19/1/93

Nasasa president Andrew Lukhele has said his organisation planned to alleviate the black housing crisis by diverting millions of rands from banks to specially designed unit trusts which would serve as collateral for home loans.

The plan stemmed from the realisation that financial institutions were reluctant to grant mortgage finance to township residents and it would allow black savings to be ploughed back into black communities.

The latest Markinor survey of the informal financial sector indicated a 60% growth in money collected by urban stokvels. In 1991, stokvels collected an estimated R83m a month compared with R52m in 1989.

Prima Bank half-year income up 24%

DUMA GQUBULE

INDEPENDENT merchant bank Prima Bank reported a 24% increase in net income to R2,1m for the half-year ended December.

MD Clive Ferreira said the performance was satisfactory given the current economic environment.

He attributed the performance to Prima's low credit exposure and good risk management policies, the ability to respond to changing client needs and an increase in the sources of quality recurring income.

The highlights of the bank's performance included a 98% increase in capital to R24,9m and an annualised return on average capital of 35%.

The 1,2% return on assets compared favourably with the industry norm of 1%. The last key measurement was the weighted capital adequacy ratio of 15%, which was "most satisfactory" given the Deposit Taking Institutions Act's requirement of 8% by 1995.

The high ratio was credited to the bank's restrictive lending policies, internal growth and the issue of an additional R6m ordinary shares, Ferreira said.

Ferreira concluded that all the building blocks were in place to ensure that the performance trend would at least be mantained for the next six months.

Local trade unions call for solidarity ● Interest on deposits withheld

Estate agents fleece tenants

Sowetan 20/1/93.

(58)

■ **Estate Agents Board backs members:**

By Joshua Raboroko

MANY tenants giving deposits to estate agents are losing thousands of rands in interest accruing from such deposits because they are "ignorant of their rights".

A retired bookkeeper, Mr Bernard Rosengarten, said this week that when a tenant signed a lease with an estate agent, the agent received a deposit of between R2 000 and R10 000.

The money was deposited into a building society or bank on a savings trust account which only earned a low rate of interest.

However, the tenant was normally not informed that the interest accruing from the deposit would be forfeited unless the tenant claimed it.

He claimed that estate agents enriched themselves by sharing the interest equally with the board in terms of the Estate Agents Board Act. Most people were ignorant of the law.

"People are putting down large deposits and foregoing the loss of interest and this works out to a considerable sum over a number of years," he said.

Money collected on deposits ran into millions of rands each year, with thousands being made in interest.

Legal adviser of the Estate Agents Board Mr H Scheepers said agents were not obliged to tell tenants that they could earn interest on a deposit.

Tenants must inform estate agents in writing that they wanted the deposit placed in a trust account, otherwise they would forfeit the interest.

Business forum seeks SA members

BDay 20/11/93. (58)

PETER DELMAR

AN AFRICAN Development Bank-backed business forum, described as the most influential of its kind on the continent, is seeking SA members.

Manager of Safto's African Business Development Group Paul Runge said the African Businessmen's Round Table had approached a number of local businessmen with a view to them joining the organisation.

He described the round table as an elite grouping of top businessmen from across Africa.

Membership would open vital trade and investment doors to SA, Runge said.

The African Businessmen's Round Table was founded in 1987 by African Development Bank (AfDB) president Babacar Ndiaye.

Based at AfDB headquarters in Abidjan, Ivory Coast, the table aims to attract foreign investment to Africa, promote intra-African trade and investment, and strengthen the continent's private sector.

Runge said it was hoped that the round table would hold its 1994 congress in Johannesburg.

It is believed that initial plans by the round table to hold its annual congress there this year were scuppered by unrest.

Runge said that apart from the round table, the importance of the AfDB should not be underestimated.

"It is a key, key group and it is vital that SA becomes a member as soon as possible.

"The AfDB is as big a lender in Africa as the World Bank."

He said local construction companies, which were desparate for work, were missing out on valuable AfDB projects because of SA's non-membership.

Homenet membership spreads in all centres

BDAM 20/1/93. KELVIN BROWN (58)

ESTATE agent franchise group Homenet's membership grew 64% in 1992 in spite of difficult conditions, executive chairman Vic Webster said yesterday.

Homenet was established 18 months ago to help individually owned estate agents compete against larger groups. Estate agents who join Homenet retain their individual identity, but gain a corporate image by incorporating Homenet into their name.

The franchise is owned entirely by its members who have 115 offices and 875 agents throughout the major areas. The group did not plan to become too large and membership would be restricted to prevent members from competing against one other.

The group operated on a non-profit basis. Membership fees were used to provide members with various benefits such as training courses, manuals and a corporate image.

Other benefits included Homenet's association with NBS. The NBS had a two-year sponsership agreement with the group, but had no shares or financial involvement in Homenet, Webster said. Discussions were under way to renew this agreement for another year.

Recently Homenet entered into an agreement with the First National Group in Australia and New Zealand to establish a referral system between SA and these two countries.

"Clients benefit greatly from the referral system because they can receive pictures, details and prices of houses even before they move," Webster said. A similar service would be available for North America and the UK in the near future.

Future projects included promoting auctions to sell property. In Australia the first method of selling good property was by auction, contrary to SA where auctioneering was a last resort, Webster said.

Positive 'burst of activity' in industrial sector

BDay 20/1/93 (58)

ANDREW KRUMM

THE industrial property market had shown an "extraordinarily" high level of activity since the first week of January — although this was unlikely to be sustained into 1993 — market sources said yesterday.

JH Isaacs director Wayne Wright said the burst in activity was driven by new tenants who had revised their expectations upwards, and it was sustained by determination among institutional landlords to fill vacant space.

Russell Marriot and Boyd Trust director David Alcock agreed, but added that the level of activity was unlikely to be maintained.

"SA's political D-Day is nearly upon us, and uncertainty surrounding the formation and makeup of an interim government will probably lead to indecision in the industrial market later in the year."

Wright said that since January was traditionally a slow month, the increased activity was a strange phenomenon. "It seems that fencesitters, who were largely uncertain about the state of the market in November, have taken a more positive view of the economy."

The factors contributing to this view were the fall in interest rates, lower inflation and signs of political progress.

"A spate of policy decisions by institutional landlords to fill their buildings has also helped the market, and is getting new tenants in at lower rentals. In some instances rentals are down 30% on last year's levels."

Existing tenants had noticed the competitive atmosphere, and were using the opportunity to extract lower rentals, or alter leasing agreements.

"As a result it is quite difficult for property brokers to set benchmark rentals, which would allow for greater stability in the market."

Wright said activity was highest on the Johannesburg CBD fringe in areas like Selby, Benrose, and Denver. However, since these areas were prime industrial nodes, rentals had not come off much and were largely stable.

Industrial areas around Sandton — such as Wynberg — had not shown the level of activity seen in Johannesburg, although the Randburg industrial market was "certainly busy". A lot of interest had also been shown in Isando on the East Rand and industrial space in Midrand, Wright said.

TRACY SCHNEIDER reports that Sanlam Properties investment GM Fanie Lategan said the commercial and industrial property market would adopt a "wait and see" attitude this year, hoping the market would pick up in 1994.

"Broadly speaking, 1993 will not look much different from 1992 as the property market lags behind the general economy. We hope this is the bottom of the slump and factors seem in place for the market to look better in 1994," he said.

SA Property Owners' Association executive director Brian Kirchmann said: "There is not much activity in the commercial field. The sector is still tight and there will probably be upgrading from C and B grade space to A accommodation as there is much office space available."

Stauch Vorster architects deputy chairman Derrick Garvie said his firm's income had dropped 60% from 1990 to 1992.

"Architects are unable to project themselves even three months ahead. There is much caution as developers do not want to construct buildings that will stand empty," he said.

Lategan added that Sanlam Properties would act "very selectively" this year, ensuring tenants before committing themselves to a project.

"We don't intend to enter the property market on a big scale this year," he said.

Scattered signs of hope offset the gloomy outlook

BDM . 20/1/93

(58)

LINDA ENSOR

CAPE TOWN — Pockets of activity in the decentralised office market and in some sections of the residential market offset the gloomy outlook for the property market, said the latest Rode Report on the SA Property Market.

Editor Erwin Rode said that apart from office rental increases in the Sandton CBD, Parktown and Randburg, many prices and rentals were in reverse. Prime office building capitalisation rates had also increased almost across the board, thereby eroding capital values.

While the capitalisation rate for the Johannesburg CBD remained static at 10,1%, Cape Town recorded the biggest increase, with a rise to 10% from the 9,7% of the previous quarter.

Capitalisation rates for shopping centres were mixed, with the lowest rate reported being the 9,5% for Witwatersrand regional shopping centres. The trend for prime industrial leaseback rates was generally upward, except in Port Elizabeth.

Rode said prime CBD office rentals in Durban and Cape Town notched another small increase while decentralised nodes, particularly in Johannesburg and Pretoria, fared better. A few falls in rental escalation rates resulted in a rate of 12% nearly across the board.

"The big shock for office vacancies was in Braamfontein, where grade A vacancies shot up from last quarter's 5,4% to 17,4% as the newly completed stock hit the market."

Durban's "frighteningly high" A-grade vacancies also edged up again. Elsewhere however, the trend in vacancies was largely static, or even downwards, particularly in decentralised nodes.

Nominal rentals for industrial property dropped during the quarter except in the East Rand and far East Rand for almost all sizes of units, and in East London and Cape Town, which experienced a rise for all except the largest units. Industrial vacancies across the board were static or rising very slightly.

"There was a definite, if not always strong, trend towards higher reported industrial land values this quarter. The only major exception was the West Rand, where prices were down for all stand sizes," Rode said.

House prices in the lower and middle price category continued to rise more strongly than those of upper price houses, although the gap was narrowing considerably. Rode said upper price houses in Durban and Cape Town had performed well during the quarter.

Flat rental growth was slowing down, particularly for larger units. Rentals in Cape Town, Port Elizabeth and Bloemfontein were under pressure. Vacancy levels in some areas were also beginning to rise.

Rode said building construction, particularly in the non-residential sector, had nosedived and only townhouse construction had moved up strongly in response to the drop in interest rates and the rampant crime rate.

Non-residential building costs were rising at about 3% a year.

The attractiveness of property unit trusts had been enhanced relative to financial and industrial shares with the spread between their respective dividend yields reducing. Rode said that relative to directly held property, property unit trusts still offered exceedingly good value as they offered an extraordinarily high initial historic yield which topped 11%.

Residential estate agents are 'cautiously optimistic'

BIDAY 20/1/93. (58) (123)

PETER GALLI

RESIDENTIAL estate agents are cautiously optimistic that 1993 could be a better year for the industry than 1992, but say any real growth still depends on a rapid political settlement.

Seeff Organisation Holdings chairman Lawrence Seeff said while the Transvaal market had experienced the traditional December slowdown, sales were picking up already.

"However, there is no identifiable new major trend emerging as yet and buying activity is still centred in the middle to lower price range, between R100 000 and R300 000," he said.

Camdons MD Scott McRae agreed, saying there had been a marked increase in activity in this area, with volumes rising to levels achieved 18 months ago. "We have noticed a marked increase in showday attendances in January, which should translate into increased sales. A distinct feature of this market is that sellers are becoming more price realistic."

However, property remained a long-term investment and there was unlikely to be any radical price increase before a political settlement was achieved, he said.

Seeff said lower interest rates and a political settlement would probably see prices rise 10%-15%.

"If political developments drag or falter, we can expect prices to remain static. I cannot see that they can fall much further," he said.

McRae said homes in the upper price range were, in some cases, being offered at a discount of as much as 40%, but buyers were still cautious. Camdons was opening an office in Richards Bay this week as there was good activity in that market.

Pam Golding Properties director Ronald Ennik said the outlook for the year was encouraging, but continuing political and socio-economic uncertainty could prompt another dip. "Last year was tougher than anyone expected, but we are now in the last quarter of the traditional three-year downcycle and there are signs of an upturn."

The recession had placed disposable incomes under pressure, which had forced lending institutions to develop innovative financing packages to mobilise the property market.

Good value, an abundance of stock and genuine sellers made it a good time to buy. "However, my optimism is tempered by the uncertainty and the buildup of violence ahead of the introduction of an interim government," he said.

But the long-term prognosis remained favourable and it was envisaged this confidence would translate into an improved residential property market this year, he added.

Homenet GM Peter Harrington said 1993 was a crucial year for the real estate industry and solidarity of purpose would have to be obtained. "The key factors for recovery under the control of the real estate industry are the restructuring of firms to become viable and profitable, the creation of a trade union for employees, the reduction of non-performing agents and the discouragement of part-time employees."

COMPANIES

NBS merchant bank stake may grow

TIM MARSLAND

NATAL Building Society Holdings (NBS) was looking at increasing its stake in Discount House Merchant Bank, DHMB MD Mark Thompson said yesterday.

NBS GM finance Paul Leaf-Wright said a major DHMB shareholder had approached NBS with a view to selling its shares. NBS was to discuss the issue at its board meeting yesterday, and was looking at the price for the stake, Leaf-Wright said. An announcement would be made soon.

DHMB chairman Colin Dunn is on NBS's board. BlDay 20/1/93

Thompson said his management was "in favour of what might come to pass if the the deal materialised".

Reuter reports NBS MD John Gafney said the bank was talking to a major DHMB shareholder, not with a view to taking a controlling interest in the operation, but rather to "get our feet wet" in merchant banking. (58)

Marshand Nominees holds 17,1% in NBS. NBS has a 3,6% stake through its subsidiary NBS Insurance. Other shareholders include Anglo American Corporation and De Beers Consolidated Mines, each with 10%. First National Bank holds 8,6%, Liberty Life Association 7,1%, the SA Mutual Life Assurance Society 10% and its pension fund 4,3%.

BIDAY 21/1/93.

Norvic has tightened up

KELVIN BROWN

PROPER financial controls had been introduced after company funds had been misappropriated and misused, Norvic chairman Raymond Kevan said in his annual review. 58

Control of the company changed in 1992 when former MD Antonious Kreouzis left after being suspended by the board.

Kevan said inflation and high levels of unemployment had depressed consumer demand in the retail sector from which Norvic manufacturing derived most of it's business.

Norvic plans, makes and installs shop fittings.

In the financial year to end-June Norvic's turnover fell by 28% to R9,1m (R12,5m). The company lost R3,4m compared to last year's loss of R3,7m. No tax was paid and no dividend was declared.

Siltek MD Mike McGrath had become the new controlling shareholder.

BoE and Stokvels look at trust plan for home loans

STAR 21/1/93.

By Tom Hood

CAPE TOWN — A deal to channel millions of rands into black housing is being negotiated by The Board of Executors and the National Stokvels Association.

The association collects about R80 million a month from members and the Board of Executors is trying to develop a special unit trust, which would tap this income to provide collateral for home loans.

Board of Executors managing director Bill McAdam has confirmed that negotiations are going on and says both parties have agreed not to make any further statements until a deal is clinched.

If the plan goes ahead, savings from township residents could be ploughed back into black housing by providing home loans.

Most banks and building societies pulled out of the black housing market after losing millions through unrest damage and loss of repayments.

Metropolitan is optimistic

BIDAY 21/1/93 (58)

LINDA ENSOR

CAPE TOWN — Life assurer Metropolitan Life expects healthy growth in premium income and earnings this year, despite the gloomy prospects for economic growth and the life assurance industry.

In his annual report yesterday, chairman Willem Pretorius said Metropolitan's carefully selected niche marketing would enable it to remain competitive.

"We expect limited, if any, economic growth for 1993. Unemployment is likely to remain at high levels and consumers' ability to enter into new long-term commitments will thus also be limited.

"Under these circumstances we anticipate another difficult year for new life assurance sales, as well as an increase in the number of clients finding it difficult to continue with premium payments on their existing life assurance policies."

Pretorius said retrenchments and the general high level of unemployment had negatively affected the life assurance market, while investment returns had suffered as a result of weak corporate earnings. He expected the coming year to be more difficult with money market interest rates and company earnings declining further.

He warned that SA was approaching the limit of its ability to sustain itself. It was only excess government consumption spending that had kept the economy at levels averting serious economic collapse. The dangerously low net investment spending of less than 1% of GDP in the past year reflected the economy's weakness.

"The unstable socio-political situation has done more harm to the economy than was earlier anticipated. Not only has it caused production losses through strikes, protests and the mass action campaign, it has also damaged confidence to the point that net investment in SA has all but disappeared. This slowdown of economic growth has aggravated social unrest through rising unemployment and deteriorating living conditions both due also to rapid population growth and urbanisation in a country approaching the limit of its ability to sustain society."

In the year to end-September Metropolitan increased its earnings a share by 22,9% to 86c (70c) and its dividends by 22,2% to 55c (45c). Total income rose 15% to R1,2bn (R1bn). Regarding AIDS, Metropolitan had established reserves of R97m.

Interest rate speculation discounted

STAR 21/1/93. (58)

By Sven Lünsche

Reserve Bank sources are discounting money market speculation of an imminent cut in interest rates.

A Bank official said yesterday that economic circumstances at present did not justify a further relaxation of monetary policy.

Economists added, however, that an expected sharp drop in the inflation rate for December, which should be announced next week, could ease the Bank's stance.

Inflation in November was running at 11 percent and a fall to around 10 percent in December could well justify a one percentage point cut in the Bank rate, given the still sluggish economic conditions.

Trading on the money market has been extremely quiet this week, with the BA 90-day rate remaining stuck in the 12,1 to 12,2 percent range, amid speculation of an imminent cut in the Bank rate.

The ability of the Reserve Bank to reduce interest rates significantly is also being hampered by the maintenance of real interest rates by SA's major trading partners, say Absa economists in the latest Economic Spotlight.

"The Reserve Bank's determination to maintain a stable real effective rand exchange rate means real interest rates will be kept at levels comparable to overseas rates."

Consequently, "the rand will depreciate proportionally to the inflation differential between South Africa and its main trading partners".

Absa expects short-term interest rates of two percent in real terms this year and an average inflation rate of 11 percent.

Absa expects mild export growth

(S8) ARG 21/1/93

JOHANNESBURG. — The volume and price of South Africa's exports are expected to rise moderately this year, while interest rates will be around 2 percent in real terms, Absa bank forecasts.

According to the bank's January, 1993, *Economic Spotlight*, an expected mild increase in global growth will lead to a small increase in South African exports.

This should have a "concomitant beneficial effect on the domestic economy," the bank says.

The volume of non-gold mining production this year is likely to increase by 3,4 percent from an estimated 0,5 percent gain in 1992 as the country's main trading partners experience better economic growth.

However, commodity prices will probably remain depressed this year owing to the slow rate of international growth and increasing competition, especially from Russia and South America, in South Africa's traditional export markets.

Gold mining production is expected to fall a slight 0,5 percent from last year as the low gold price is forcing marginal mines to concentrate their efforts on achieving higher grades.

Absa forecasts the average gold price in 1993 will be $6 an ounce higher than last year at $350 an ounce.

"This is a result of low inflation in much of the world, the determination of the monetary authorities to reduce inflationary pressures and developments in the financial markets that have produced superior hedging instruments."

The bank expects the maize crop this year to double from last year to about 5 million tons, but as South Africa needs 6,5 million tons the country will have to import the difference.

Turning to interest rates, Absa believes the Reserve Bank's determination to maintain a stable real effective rand exchange rate will mean real interest rates will be kept at levels comparable with overseas rates.

Consequently, "the rand will depreciate proportionally to the inflation differential between South Africa and its main trading partners".

It expects short-term interest rates of some 2 percent in real terms and an average inflation rate of 11 percent.

On the international front, ABSA foresees economic growth in the world's most industrialised G7 nations to average 2,5 percent this year.

Western governments will also try to reduce inflation and real interest rates, but inflation is unlikely to fall below 3 percent, while the real bank rate is expected to be more than 2 percent. — Sapa.

Stanprop lifts its income 4 pc

58

Finance Staff STAR 22/1/93

Standard Bank Property Fund increased its distributable income last year by four percent to R56 million, equivalent to 20c per unit (1991: 19,25c).

The fund managers say these results were achieved against a background of the depressed property market, which resulted in vacancies within its commercial and industrial sector rising from nine to 11 percent.

Vacancies within its residential portfolio were contained at six percent.

Its portfolio spread at the end of December stood at commercial 62 percent, industrial 22 percent and residential 12 percent, but the fund says it wants to sell-off its residential property portfolio.

Stanprop expects the poor market conditions to continue this year.

FM 22/1/93.

AGENCY MERRY-GO-ROUND

(58)

The realignment of ad agencies following the incorporation of five financial institutions under the single Absa (Amalgamated Banks of SA) umbrella appears now to have been completed. Where once seven agencies handled the range of diverse accounts within the group, three survive.

D'Arcy Masius Benton & Bowles has just picked up the Volkskas account to add to TrustBank; Grey Advertising handles Allied and Bankfin; Lindsay Smithers is responsible for United, MLS and a new division.

The Absa reshuffle is just one of many in a phase that began last year. The period has seen moves involving six of the top 30 advertisers (each spending R15m-plus a year). Recently, as part of an international realignment, BSB Bates was awarded most of the United Tobacco account — essentially the Benson & Hedges and JPS brands, which form part of British-American Tobacco. Ogilvy & Mather, which previously handled the account, retains only Winston, a brand owned by R J Reynolds of the US.

"We put on R58m worth of new business last year," says BSB MD Dave Kelly. In the year ahead, notes Kelly, agencies will have to rely on winning new business if they are to increase their size. "I don't think there will be much new growth in adspend as a whole."

Dave Kelly

Lindsay Smithers MD John Sinclair describes himself as "quietly confident. There are a lot of agencies out there in trouble," he says. "But I think the economy has bottomed out. This year may be the same as last year, but it won't be worse. And if the political solution starts falling into place we could see an improvement in the second half."

Hunt Lascaris gained the Standard Bank account last year, a major slice of Sun International, Edgars, Cuthberts and some smaller accounts.

Last week it won the Anglo American corporate account. MD Reg Lascaris is also an optimist. "I think there will be some growth in the economy, especially if there is an election for an interim government. An election brings a sense of positive change which, in turn, boosts advertising."

DERIVATIVES FM 22\1\93

Benchmark blues

(58)

Activity in derivative instruments, used to cover interest rate risk, is in limbo because of the lack of a reliable short-term money market rate. Previously the 90-day bankers' acceptance (BA) rate served as a benchmark but proposed amendments to the Deposit-Taking Institutions Act, due to be made this year, will lower banks' liquid asset reserve requirements and remove the liquid asset status of the BA. This will reduce the incentive to banks to hold it.

Already they have stopped competing actively to buy the instrument and a wide range of rates is now quoted. The uncertainty about the BA rate as a benchmark makes it difficult for corporates to cover their exposure to floating-rate debt through the use of derivatives, says Tom Makinson, head of the technical committee at the Association of Corporate Treasurers.

Particularly hard hit has been the BA futures contract on the SA Futures Exchange (Safex). CE Stuart Rees says the BA future, which was moderately traded at its inception, is now the least traded contract of Safex. On exchanges in other countries, short-term interest rate futures form the bulk of volume.

Also affected, say corporate treasurers, are the over-the-counter instruments which need a benchmark for pricing. These include:

- ☐ Interest-rate swaps, in which two parties, with different exposures in their fixed and floating rate interest bills, swap the interest-bearing portion of their debt; and
- ☐ Forward Rate Agreements (FRAs) in which parties lock into specific interest rates over a set period.

Makinson says: "Volumes in FRAs particularly have tailed off as corporates avoid these kinds of instruments."

However, Standard Merchant Bank treasurer Chris Kenny says the Safex fix is an adequate indication of what the benchmark should be and denies activity in these two instruments has been inhibited by the BA's changed status: "Our own book in FRAs has grown considerably." No overall figures of market activity are available. But he agrees a new benchmark is needed.

There are a number of possibilities. Makinson says one proposal is an interbank "offered" rate similar to the Libor in London. But there is a problem. "The market would be dominated by a few large banks." First National Bank group treasurer Ken Russell says a further difficulty is that an interbank deposit market does not exist. The Treasury bill rate is another possibility,

FM 22\1\93

(58)

though Makinson says such a rate is weighted too heavily in favour of the investor, and is thus not market-driven.

Makinson believes the ideal rate would be one based on commercial paper (short-term paper issued by corporates), once such a market is fully established. New regulations relating to this paper will be published soon. Russell says different kinds of paper would attract different interest rates, and the market would have to determine the best commercial paper to serve as benchmark.

The change will create problems — existing contracts will have to be re-priced according to the new benchmark. ■

SANTAM

Catching up to the leaders

FM 22/1/93

(58)

Activities: *Short-term insurance.*
Control: *Sanlam/Sankorp 65%.*
Chairman: *C H J van Aswegen; MD: J J Geldenhuys.*
Capital structure: *71,9m ords. Market capitalisation: R564m.*
Share market: *Price: 785c. Yields: 5,4% on dividend; 14,1% on earnings; p:e ratio, 7,1; cover, 2,6. 12-month high, 785c; low, 415c. Trading volume last quarter, 1,5m shares.*

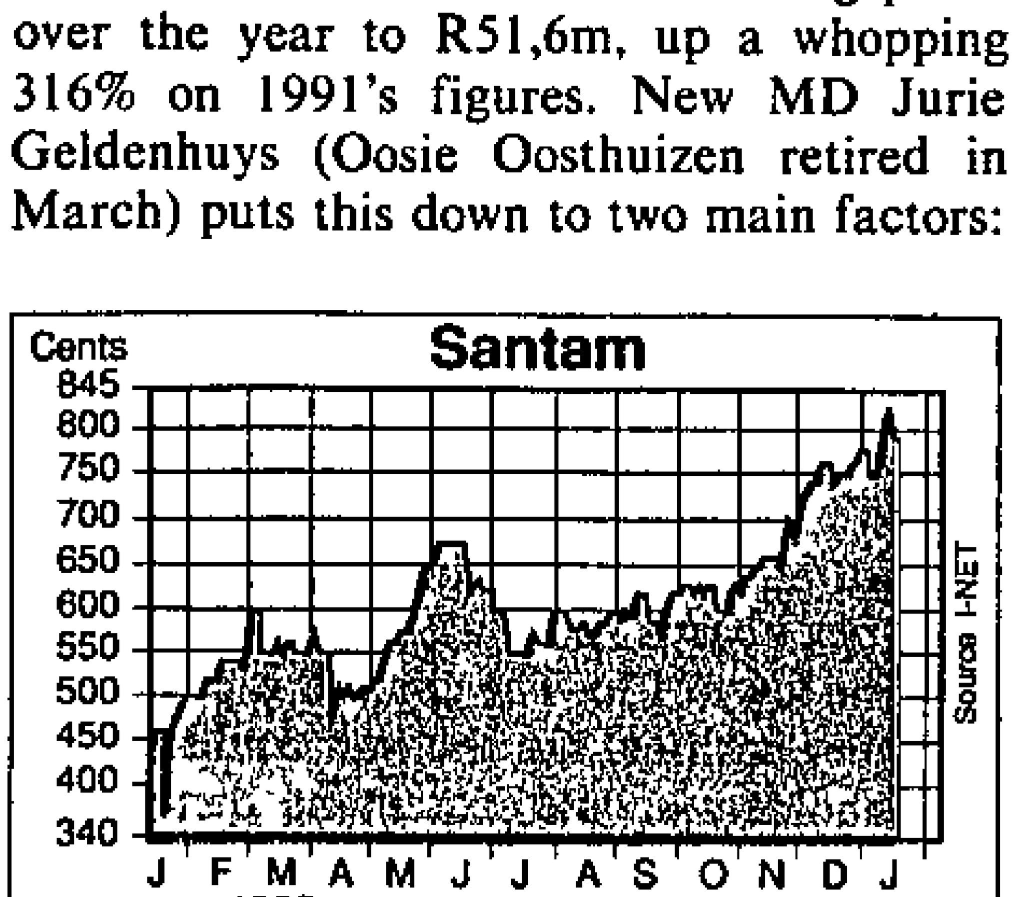
Year to Sep 30	'89	'90	'91	'92
Total assets (Rm)	667	710	932	1 171
Solvency margin (%) .	33,3	34,9	43,1	54,7
Net premium inc (Rm)	657	771	933	1 036
Underwriting prof (Rm)	26,1	2,1	12,4	51,6
Investment inc (Rm) .	60,5	67,3	76,5	90,9
Taxed prof (Rm)	51,3	42,7	50,9	79,4
Earnings (c)	73,3	60,0	71,3	110,5
Dividends (c)	23	27	33	42
Net worth (c)	312	379	565	787

A year ago the *FM* described Santam's share as one of the most underrated counters in the short-term insurance sector. Strong results since then saw the price continue to make impressive gains and the share gained a rating more in line with performance. Over a year the price has increased 71% to its present high, while its yield has firmed from 7,2% to 5,4% and the p:e ratio has climbed from 6,5 to 7,1.

Yet, even with the deserved rerating, Santam remains some way off industry leaders like Mutual & Federal and Commercial Union SA. Short-term shares, thanks to a combination of favourable conditions, are arguably riding the crest now, one that probably cannot be sustained for much longer. Yet Santam's share might still have some way to go; latest results certainly support that view.

While many short-term insurers perhaps place undue emphasis on underwriting results, this is the most volatile indicator published by these companies. Results like investment income, from which most short-term insurers draw dividends, are generally a more reliable trend to follow.

Santam increased its underwriting profit over the year to R51,6m, up a whopping 316% on 1991's figures. New MD Jurie Geldenhuys (Oosie Oosthuizen retired in March) puts this down to two main factors:




Santam's Geldenhuys ... *clients becoming more careful*

the continuing absence of water-related catastrophes, which has aided the industry; and the slowing increase in the level of crime claims, which, with the bulk of Santam's source of gross premium income coming from personal lines (55%), has been a welcome boost.

Most of the remainder of Santam's portfolio comes from commercial and industrial insurance (17%) and motor (22%). Marine, aviation and Sasria make up the balance.

Besides the stronger police presence and depressed economy, which chairman Carel van Aswegen argues in the annual report is keeping more people at home and therefore burglars away, Geldenhuys adds that much of the credit for the levelling in crime claims must go to the consumer.

"There seems to be a much higher awareness among clients about the risks of crime — people are looking after their interests much better than in the past," he says. This saw the number of burglary and other theft claims decrease by 19%, though the value of those claims declined by only 3%.

More important than the good results reflected on the income statement is Santam's strengthened balance sheet. For a company which in past years was undercapitalised, the solvency margin has improved considerably to its present 54,7%. The total asset base has increased by 26%.

Van Aswegen says his group continually strives to improve asset value. He feels it is an important measure for assessing insurance companies. In this regard, it is worth noting that Santam's share is now trading at just about NAV, compared with the 23% discount the share offered to NAV a year ago.

Some analysts believe Santam will pay a dividend of more than 50c this year, which is in line with the company's intention of increasing the distribution 15%-25% a year. The 27% increase in dividend in 1992 (on cover up from 2,2 to 2,6) is based not only on the strong results but, according to Van Aswegen, also coincides with the celebration of Santam's 75th anniversary.

In a sector that shows signs of being overheated, the share should at least hold its price as well as the market leaders do. It also tends to be more marketable than the top-rated short-term shares, which gives the private investor more scope. *Shaun Harris*

DUIKER

FM 22/1/93

Better financed

Activities: *Mining company with interests in gold, coal and anthracite.*
Control: *Lonrho Plc, through WPH investments 51,6%.*
Chairman and MD: *T A Wilkinson.*
Capital structure: *14,4m ords. Market capitalisation: R72m.*
Share market: *Price: 500c. Yields: 10% on dividend; 30,7% on earnings; p:e ratio, 3,25; cover, 3,1. 12-month high, 750c; low, 500c. Trading volume last quarter, 200 000 shares.*

Year to Sep 30	'89	'90	'91	'92
Turnover (Rm)	138	141	161	177
Operating profit (Rm) .	35,3	22,9	29,1	29,7
Taxed profit (Rm)	17,9	11,0	15,7	22,1
Earnings (c)	124,5	76,3	109,2	153,7
Dividends (c)	25	30	35	50
Net worth (c)	791	936	1 010	1 074

Duiker Exploration is one of the few companies in the mining sector to come through last year with anything resembling flying colours — earnings and dividends have risen to all-time highs and the balance sheet is looking good.

For the first time in five years there is a positive cash balance. Liquidity improved, with R40,8m net cash on hand at end-September from borrowings of R4m a year ago. There was debt of R27m and R46m respectively at the 1990 and 1989 year-ends.

The healthy cash position played a big part in the better-than-expected results. While Duiker's mining income was maintained at R29,7m (previous financial year: R29,1m) net financial income more than doubled to R17,2m (R6,9m). Chairman Terence Wilkinson attributes this jump mainly to interest earned on cash balances, though interest on the loans to Eastern Gold Holdings also increased, rising 74% to R10m (R5,7m).

The 43% increase in the dividend has been funded without the need to draw down the

REINSURANCE (58)

Rand Mutual has moved its personal accident reinsurance — probably the largest such account in SA — to Forbes Re. The account was administered through broker MIB for many years.

Rand Mutual is too specialised to appear in the *FM* list of top insurers but ranks about fourth in size. It insures about 600 000 mine workers for Workmen's Compensation and PA risks. It was formed a century ago and predates the introduction of the Workmen's Compensation Act. FM 22/1/93

Brian Barnes of Forbes confirms the account is large but will not disclose details. He says Forbes' submission was not much cheaper than the competition's but was simple and easy to understand.

Forbes is using a London lead reinsurer to handle the business but is also placing more of the risk than previously with local reinsurers.

Bank will help finance low-cost housing

58

By Sven Lünsche

A new "community bank" to provide housing finance for the less priviliged communities has been set up with assistance from the Independent Development Trust (IDT). STAR 22/1/93.

The Metropolitan Housing Finance Co-op (MetCo) was launched this week with initial support from a R25 million loan from the IDT's Finance Corporation.

MetCo director Ben Pieters, previously general manager of the retail lending arm of the SA Housing Trust, said the bank had been established under the provisions of the Co-operatives Act.

The IDT funds would be used to provide personal and housing loans — from as little as R250 repayable over six months to a maximum of R10 000 repayable over three years.

The initiative followed discussions between black leaders concerned at the slow pace of progress in the provision of affordable housing and various experts in the development and finance field.

At the launch of MetCo several community leaders signed the statute to establish the new bank.

MetCo also has the support of the Community Bank Project's Bob Tucker, former managing director of the SA Perm, whose initiative in the field of community banking is expected to result in more institutions such as Metco backed by the necessary legislation.

CORPORATE PAPER (58) [illegible]

Coming out

FM 22/1/93

Low trading volumes in SA's first corporate bond issue should not affect the prospects for issues coming to the market over the next few months. The intrinsic value of blue-chip paper should ensure the issues are taken up by institutions starved of quality equity.

One of the reasons trading in the R1bn issue of SAB paper is low, according to Mark Barnes, executive director of Standard Merchant Bank (SMB), which is lead manager and one of the market makers in the issue, is that it is being held for long-term investment

continued

rather than to make a short-term capital profit. Tim Hacker, of sponsoring broker Fergusson Bros, estimates roughly two-thirds of the SAB stock is held by institutions — for the long term.

Barnes says speculative investors would probably trade in the far larger RSA 147, for example, at least until the corporate bond market is more established. Redemption dates are similar: the year 2000 for SAB paper and 1999 for RSA 147 stock. Options are available in the RSA 147.

JSE figures show that, after its highly successful launch on December 4 (*Economy* December 11), trading in SAB tailed off sharply from R224,5m on the first day. These figures, of course, reflect only a portion of total trade in the paper — about 10%, according to SMB's Chris Kenny, though others put the ratio at up to 30%. Off-JSE trade is said to have followed a similar pattern, inhibited by the holiday season which reduced liquidity throughout the market.

UAL Merchant Bank's Chris Pearce says further corporate bond issues will bring depth to the market, increasing the prospects of interchangeability (and therefore tradeability). Other blue-chip corporations, such as Anglo American, Barlows, De Beers, Rembrandt, Liberty Life and Standard Bank, have been named as possible issuers. Barnes estimates there are about 20 prospective local candidates for corporate bond issues.

Other reasons turnover in corporate paper may continue to be relatively low are:

☐ The issues are small compared with the benchmark Eskom 168, with a nominal value of R16bn, and the RSA 147 at R14,6bn. This limits the interest of institutions which prefer issues of over R1bn; and

☐ The absence of an options market which would attract interest by providing its own trading opportunity — to buy or sell the option for a fee. Should the option holder exercise an option to buy, liquidity in the underlying paper will increase.

But the problem is that the low volumes of trade in the underlying paper may inhibit the development of an options market.

Who should establish an options market? Generally this falls to the market makers — in this case Rand Merchant Bank, UAL and SMB. But RMB's Russell Loubser believes the issuer, SAB, should help to establish the market. He contends the issue is too small for the market makers alone to establish an options market. However, SAB financial director Selwyn MacFarlane says SAB will not establish an options market.

Bond brokers suggest liquidity would improve were the market makers to lower their spread (commission) in the paper — which they say is wider than comparable trades in other stock.

Corporate paper provides companies with an opportunity to lock themselves into fixed-interest borrowing. SAB has locked itself into paper with a pre-tax cost of 14,9%, being the yield to maturity (YTM) from issue to redemption in seven-and-a-half years. The paper has a 14% coupon but was issued at 96,01543 to give a 14,9% YTM.

Last trade in the paper was at marginally under 14,7%, suggesting new corporate issues will have a coupon around the 14,7% level should they be placed soon and have a similar risk profile. ■

Policy surrenders soar 41% in value

(58) CT 22/1/93

By MAGGIE ROWLEY
Deputy Business Editor

THE value of individual policies with Metropolitan Life surrendered by hard-pressed clients soared 41% to R65,4m in the year to end September.

According to the company's annual report released this week, group scheme surrenders were also up at R58m — 20% higher than the previous year indicating the ravages of the recession.

More than 70% of the company's business is in the black market.

And in his chairman's statement Willem Pretorius warns that due to the high level of unemployment the number of clients finding it difficult to continue premium payments on existing policies was expected to increase further this year.

In addition high unemployment would continue to limit the ability of consumers to enter into new long-term commitments.

However in spite of this, Metropolitan Life, which reported a 16% increase in premium income to R815,9m last year and a 21% rise in recurring premiums on individual business to R774m for the year to September was looking to further healthy growth in both premium income and earnings for the current financial year.

This would be possible due to the focus in carefully selected niche markets, said Pretorius.

Of major concern to the life office is the increasing incidence of Aids and company reserves to cover potential extra claims relating to the disease were raised 15% to R97m in the past year.

Provision for Aids claims up 15%

Senior GM Peter Doyle said in an interview that the current reserves had been set to cover existing business and would be adjusted accordingly if necessary.

The life office is estimating that the number of full blown Aids cases in South Africa will increase 150 times to 150 000 by the year 2 000.

"Aids has definitely sent us back to the drawing board to redesign policies".

Metropolitan, however, he said was opposed to introducing an exclusion clause for Aids as this was not considered to be an effective way to limit claims and would merely create bad will.

"However with most of our new business being written among young people, who are most at risk, we have had to redesign packages and withdraw some products previously offered to reduce the company's risk exposure."

Known or suspected Aids claims to date totalled 40 with a value of close to R1m, he said.

Six of these had been disability and the balance death claims.

Last year there were 10 Aids claims, which was half the previous years' 20, said Doyle.

"However these are only those policies where it was clearly Aids related. There could have been others."

In his review, Pretorius said per capita income for 1992 in real terms was expected to drop back to levels of 1962.

Fundamental factors such as reserve levels and domestic liquidity, however appeared much better than a year ago and would allow for a swift turnaround in activity as soon as confidence levels improve.

Pretorius said while they regarded investments in areas such as low cost housing, education and training and job creation as highly desirable the insurance industry could not be expected to undertake such investments unless it was on commercial terms.

"Such investments with a high risk of loss of capital and/or at subsidised terms would be tantamount to an additional and hidden tax on an industry and its polilcy holders already carrying more than their fair share of the tax burden."

He said the Investment Development Unit established by the Life Offices Association might, in time, provide some of the answers in this regard.

NBS FM 22\1\93.

Seeking synergies (58)

Since legislation, passed in 1990 and introduced in 1991, removed the distinction between banks and building societies, the two types of organisations have been diversifying. Where possible they seek a partner who will give them access to a new market — "seeking synergies" has become a buzz-phrase in the industry

Natal Building Society (NBS) Holdings, which was discussing the possible purchase of shares in Discount House Merchant Bank (DHBM) on Tuesday night as the *FM* went to press, has been going its own course, avoiding absorption into bigger groups and taking a 39% stake in the French Bank of Southern Africa.

Its subsidiary, NBS Bank, has already spread its wings in the corporate market, mainly through instalment lending and the financing of industrial and commercial property. An *FM* survey of the banking sector last year showed a 20% increase in instalment debtors, suspensive sales and leases to R625m in the six months to April.

A connection with a merchant bank will provide a new dimension to the services it can offer corporates. DHBM was formerly Discount House of SA, the country's first discount house.

When the role of discount houses as conduits of liquidity in the banking system was phased out and finally eliminated by legislation, it turned to merchant banking. ■

New bank to help underprivileged

PETER GALLI

THE IDT would help to start up a small bank, the Metropolitan Housing Finance Co-operative (MetCo), with a R25m loan, it was announced yesterday. (58)(B3-1)

MetCo would provide personal and housing loans to underprivileged communities.

MetCo director Ben Pieters said the bank had recently been endorsed by black community leaders and businessmen. (B3)

The name would be registered in terms of the Co-operatives Act within the next few weeks, he said. "A co-operative offers the most meaningful way of attaining the legal stature of a savings and loans institution outside the ambit of the Deposit-Taking Institutions Act."

MetCo would initially be supported by the IDT loan. The money would be used to provide personal and housing loans, ranging from R250 to R10 000. A capital equity structure would also be used whereby each MetCo member would buy shares — thus creating an additional source of capital.

By agreement with the Registrar of Deposit-Taking Institutions, MetCo initially would trade only as a retail lending co-operative, he said. BDAY 22/1/93

IDT special projects director Jannie Kitshoff said, depending on its success, MetCo could be developed into a full-scale community bank in the future.

SHARON WOOD reports Community Bank Project spokesman Bob Tucker supported the new venture, and said such projects were needed to improve access by the broader population to financial resources.

He said MetCo would be on a smaller scale than the planned Community Bank, which would be a national community bank. A feasibility study on the latter was being studied by the formal banks, who were expected to play a role in its creation.

Insurance plan for taxi commuters

58

WILSON ZWANE

INSURANCE broker Mashego Mahlatsi has formed an insurance company, Comsure, to provide cover to taxi commuters.

Comsure evolved when Mahlatsi and short-term insurer Concord were discussing SA's high accident rate and the slow manner in which the Multilateral Motor Fund was processing claims. It usually takes at least four years for the fund to settle claims.

Comsure, established in December, is 100% underwritten by Concord.

Mahlatsi said Comsure would provide accident cover for any fare-paying commuter for a fixed amount, payable to nominated beneficiaries in the event of death or permanent disablement while commuting. Blday

The cover costs adults R60 a year for a R30 000 payment in the event of death or permanent disability. Comsure also pays R3 000 towards the funeral costs and up to R15 000 for burns and disfigurements.

Children under 14 pay R20 a year for a R10 000 payout in the event of death or disability. Other benefits are a R3 000 funeral cover and up to R5 000 for burns and disfigurement. 22/1/93

Mahlatsi also hoped to interest managements in his product and would try to get companies to "meet the workers halfway".

Higate fund to hold rights offer

PETER GALLI

HIGATE Property Fund is to hold a rights offer to acquire and develop new properties and upgrade existing properties. B/DAY

The fund said yesterday it had "the opportunity to further enhance the quality of its portfolio by buying and developing new commercial and industrial properties as well as to upgrade existing properties".

Most of the proceeds from the rights offer would be invested in new properties and the rest held to "take advantage of future property investments". 22/1/93.

The terms of the offer would be announced on February 1 and it would close on February 5.

If the rights offer goes ahead, an interim dividend of 29c a unit will be paid to unit holders registered on February 5 for the five months from November and another for the year to April 30.

Should the rights offer not proceed, the normal final dividend would be declared at the year-end as usual.

Stanprop income rises in spite of vacancies

Bi Day 22/1/93

58

PETER GALLI

STANDARD Bank Property Fund (Stanprop) has posted a 4% rise in net distributable income to R56,03m (R53,93m) in spite of increased vacancies in its commercial and industrial portfolios and lower interest income in the year to end-December.

This translates into a total dividend of 20c a unit from 19,25c in the comparable period last year. Net rental income rose 33,1% to R47,06m (R35,35m previously), but interest recieved fell 46% to R11,15m (R20,61m).

MD Stewart Shaw-Taylor said the group had performed satisfactorily given the difficult market conditions. Commercial and industrial vacancies rose to 11% from 9% previously, while vacancies in the residential portfolio were static at 6%.

Stanprop continued to rationalise its portfolio to increase its commercial and industrial holdings while selling off its residential properties.

"We are looking for a final spread of 70% commercial and 30% industrial properties. At the year-end 62% of the portfolio was in commercial property, 22% in industrial, 12% in residential and 4% in cash reserves," he said.

Four properties were bought for R37m over the year, while four new developments were initiated at a budgeted cost of R17,9m Three have already been completed and the fourth is scheduled for May.

In the second half of 1992 Stanprop began to sell units in its 228-unit Tygerberg block of flats in Berea. By the year-end 30 units had been sold for a total of R1,6m - yielding a capital profit of R380 000.

"In addition, the SAP signed a five-year lease worth more than R8m for the Downtown Inn in Johannesburg, replacing Southern Sun as tenant.

"Stanprop is now almost fully invested in property and the cash resources have been temporarily placed in approved securities yielding market-related interest income," he said.

While the present socio-political uncertainty and depressed economic conditions are expected to persist in 1993, management had budgeted for a "modest improvement" in earnings for the present financial year, Shaw-Taylor said.

The share gained 2c or 1,2% to 160c yesterday as 13 300 shares worth R21 280 traded in 10 deals. This is off an August 25 low of 140c and an April high of 175c.

Stals dims hopes of imminent Bank rate cut

58 CT 22/1/93

By ARI JACOBSON

THE SA Reserve Bank governor Chris Stals confirmed yesterday that bank rate is "not going to come down soon" in an interview at his headquarters in Pretoria yesterday.

Stals stressed that the large government deficit, the weaker balance of payments position and falling foreign exchange reserves would prevent interest rates from falling immediately.

This squashes expectations circulating in the financial markets that the bank rate was set to fall by the first quarter of 1993. The implication now is that this may only occur in the second half of the year.

The bank rate is the Reserve Bank controlled interest rate at which the banking sector borrows funds from the central bank.

Stals said that the deficit was at "an unsustainable level" and although it had until now no effect on the money supply, inflation rate or interest rate "this was a short term position".

"Over the longer run definite steps must be taken to resolve this situation because it absorbs the country's savings and leaves little room for private sector expansion."

From the monetary authorities perspective he said that the best manner to encourage savings was "to bring down inflation".

On the balance of payments Stals said that the poor agricultural contribution last year, which led to SA being a net importer of maize, remained precarious "with the next few weeks crucial".

"We could very easily have a repetition of last year," he said.

On a more general note, Stals said the current year was set to take the country through "exciting times".

But he stressed that this so-called "excitement" would not be on the economic front with his prediction that growth would move "unfortunately sideways".

But political changes in the year ahead could set the stage for stronger economic growth in 1994, he said.

And on the subject of politics Stals pointed out that the Bank remained independent of the political machinery "as we are professional bankers".

"And so I do not feel threatened by the political process in place and my colleagues and I will hopefully be around for a few years to come".

Continuity

He added that, although being at a pensionable age (and having worked for the Bank for 38 years) "my work will continue while the country needs me".

Stals mentioned that being "out of the political world" he had no problem of working with an ANC government.

Stals' tight monetary policies with interest rates at high levels, has been commended for restoring inflation to respectable levels, with forecasts of single digit inflation for the year to January.

Although not willing to comment on an acceptable rate Stals said "whatever it is — it's too high".

BUSINESS Invesiment seminar for bigger business

Investment geared for black firms

Sowetan 22/1/93. 58

A MAJOR INVESTMENT seminar aimed at black business will be held at the Carlton Hotel on February 23.

Sponsored jointly by *Sowetan* and a leading stockbroking company, Simpson McKie Inc, it is hoped that the seminar will attract prominent black business people in the PWV area.

This occasion is the first of its kind geared mainly to black business.

"We realised that most business seminars for blacks tend to concentrate only on small business management issues.

"Clearly there is a need to enlighten middle-income to upper-income black people about issues relating to personal investment. With this seminar we hope to empower our people with the kind of knowledge that will enable them to take advantage of the enormous opportunities of the Johannesburg Stock Exchange," says *Sowetan* day editor Thami Mazwai.

Among the speakers will be *Sowetan* Editor Aggrey Klaaste and the JSE president Roy Anderson.

HIGH HOPES

First seminar of its kind for blacks:

Bill Yeowart, partner in Simpson McKie, concurs: "The seminar is deliberately aimed at the middle-income to upper-income business person. They are the ones who are currently not catered for when occasions of this nature are organised.

"South Africa has a huge black middle-class and upper-class with lots of disposable income. But due to lack of investment information, most of their funds are not invested optimally and our objective is to correct the situation. Participants pay a R100 fee, which includes tea and lunch."

Major Western banks keep tight rein on 'outside' loans

(58)

BASLE — Banks in major Western economies kept a tight rein on lending to outside countries in the first half of last year 1992, the Bank for International Settlements (BIS) said yesterday.

The Basle-based bank for central bankers said in a report that it had detected a trend not to renew maturing loans, and a shift towards less risky short-term, trade-related lending.

Nevertheless, total cross-border claims less repayments and domestic foreign currency claims on countries outside the reporting area rose, unusually for a first half-year, by $11,7 billion to $693,1 billion.

The reporting area covers the Group of 10 largest industrial nations plus other major West European economies.

In Eastern Europe, the former Soviet Union was the only area to record a rise in its bank debt. But the $2,4 billion increase mostly reflected the accumulation of interest arrears and the withdrawal of money from existing unused facilities.

Lending to members of the Organisation of Petroleum Exporting Countries (Opec) rose $6,3 billion against $1,7 billion in the previous half-year. The lion's share, $3,3 billion, went to Kuwait for post-Gulf War reconstruction.

A $4,1 billion rise in outstanding claims on Latin America was the largest in eight years. Brazil received $2,2 billion of new credits, Argentina $1,2 billion and Chile $900 million.

At the same time, a $5,8 billion reduction of Latin American deposits in the BIS reporting area largely reflected the return home of flight capital.

New lending to non-Opec countries in Asia slowed to $1,7 billion from $13,8 billion in the previous half. South Korea was the destination of $2,6 billion of new funds, Thailand of $1,9 billion and Taiwan of $1,1 billion.

Claims on China, which had risen by $5,4 billion in the preceding half-year, fell $1,9 billion in the first half of 1992 as a result of repayment of earlier short-term borrowing.

Claims on the Philippines fell by $1,6 billion to $7,1 billion, mainly owing to a $1,3 billion debt buy-back agreed in May with creditor banks.— Sapa-Reuter.

IGI licks its 1992 wounds

By TERRY BETTY 58

S. Times (Buss)

IGI Insurance Company's investment portfolio is under pressure to perform after a bout of losses.

This year the company will have to write off a R15-million investment in Tollgate Holdings. Last year it wrote off a R25-million investment in Abacus. 24/1/93.

In the year to March 31 1992, IGI's investment income fell 27,8% from R35-million to R25-million.

The book value if its investments fell 20% from R229-million to R184-million at the last balance sheet on March 31 1992.

But IGI executive chairman Michael Lewis says this year will not see a repeat of the loss to ordinary shareholders as the company has made a profit on the sale of some of their investments.

He says he is happy with the investment policy of the company and that this is unlikely to change. IGI has its money in property, equity and liquid assets.

However, Martin and Co. insurance analyst Richard Jesse says any investment policy that places large amounts of cash in Tollgate Holdings and Abacus needs to be reassessed.

Equity unit trusts take a pounding in bear market

S.Times (Buss) (58) 24/1/93

By JULIE WALKER

IN A bear market, discrepancies in investment mistakes are never more marked. The range of returns from SA's equity unit trusts, on a lump-sum repurchase-to-repurchase basis, spanned minus 28,4% to plus 15,1%, according to the University of Pretoria's unit trust survey.

The income and gilt funds enjoyed a bull market for most of 1992. Even so, the spread of returns was from 15,5% to 27,7%.

Some equity funds made hay outside the stock market while gilts' sun shone. Metropolitan's Metlife, whose total return was 8,5% in 1992, confessed that 40% of its portfolio was in gilts and cash at the end of the December quarter.

Metfund, managed by Investec, stayed with equity and returned 4,7%. Fund manager Steve Mills notes that financials have become expensive, dollar commodities are not expected to rally in dollar terms much before the third quarter of 1993 and he is worried about industrial earnings growth expectations.

Standard Bank's trust held some surprising moves. Its Mutual fund started the year with 40% cash, maintained the position and invested in financials and industrials — moves which helped it to a 13,3% return.

Standard Bank did not send a release of its portfolio breakdown but commented that it had sold its entire holding in Amgold. Oddly enough, Standard Bank's International Fund was a buyer of Amgold.

Standard Mutual bought shares in Stanbic, Investec, Kersaf and Royal Foods and sold Genbel, as did the Gold Fund. The International Fund also bought Royal Foods, Investec, Safren and Kersaf, but sold all its M-Net. The house went a bundle on Royfood, some going in to the Industrial Fund too.

Southern Equity returned 13,6%. It bought mining houses, First National and Stanbic, Safren, SA Breweries and into the Foschini stable, selling Anamint and FIT.

Southern Mining bought Driefontein, reduced Southvaal and Ofsil and sold out of East Dagga, Harties and Impala.

Guardbank Growth was another seller of Impala and Anamint, and bought 425 000 Tiger Oats shares — a new counter. Its return was 10% for 1992. Guardbank Industrial was a buyer of FIT, banks and insurers.

Guardbank Resources picked up East Dagga, Driefontein and Hiveld Steel, selling Anamint and Rusplats among others.

Momentum made radical changes, selling all its golds and buying First National, Absa, RMB Holdings and a few blue chip industrials. Fund manager Peter du Toit believes share markets are still overpriced and advocates prudence.

Top performer Syfrets Growth, returning 15,1%, was quiet in the last quarter, buying Safcor, KNJ and Clinics. Fund manager Tony Gibson remains cautious on the outlook.

Sage forecasts GDP growth of up to 1% in 1993. Its Sage Fund sold out of Kersaf, Samancor and Woolworths and bought into Sentrachem and Foodcorp as well as adding several holdings across the board, but its annual return was barely 1%.

Among other investments, Sage Resources wisely bought some Iscor in the last quarter — it is up a third this year.

Negative

UAL Selected Opportunities — top of the equity-fund pops for 1992 with a return of 15,2% — was another buyer of Sentrachem, Safren and Mobile. UAL's general trust made no purchases and was only two-thirds invested in equity at the end of December.

Old Mutual Investors, the biggest unit trust, made a negative return of 5,1% in 1992 — likely because it was heavily invested in De Beers. It switched part of its De beers into holding company Anamint and added to Sasol and Tongaat.

Old Mutual Top Companies — specialising only in blue chips and emerging blue chips — almost broke even in 1992. It bought Natsel ahead of the IDC's decision to distribute the assets.

● South Africans hold more than 946 000 unit trust accounts. Old Mutual's funds have the lion's share with 356 272 and the smallest is Community Growth, with 312 at the end December.

Fears as brokers cleared to invest

S/Times 24/1/93 (58)

By TERRY BETTY

CHANGES to the bank laws will open the way for more investor scams, financial market fundis warn.

The Deposit Taking Institutions (DTI) Act is expected to be changed during the current session of parliament. If passed, the amendments will relax restrictions placed on money-brokers such as lawyers, auditors, fund managers and stockbrokers.

It will allow them to pool all their clients' cash together and invest the combined sum in investments such as debentures, equity, property and unit trusts.

Until now money-brokers have been forced to deposit client funds in a bank, under the client's name.

A DTI spokesman says the standing committee that reviews the act decided the law needed to be brought in line with practical realities, and that the role of the brokers needed to be clarified.

He says the motivation for the change did not come from the private sector.

However, none of the money-brokers are overly excited with the changes.

Institute of Chartered Accountants technical director Monica Singer says: "This is suicidal for the public. It opens the door for a whole lot more Vermaas-type scams.

"The Bill is going to legalise what the authorities are trying to prevent."

However, the DTI spokesman says pooling is subject to the provisions of other Acts, which should provide sufficient protection.

Webber Wentzel attorney Ed Southey says irregularities frequently arise when people pool funds.

He says attorneys will be at a disadvantage as their own rules, which do not allow pooling for investment, will be more onerous than for other money-brokers.

Although it is uncertain how much cash money-brokers control, Mr Southey says it must run into billions.

Drain

"It is estimated accounting firms in Cape Town alone control R250-million, if you add to this all the other money-brokers nationwide, it translates into a lot of money," he said.

A banking source, who asked not to be named, doubts the amendment will drain cash from the banking system: "It is all part of the honey pot that goes around. Overdrafts may drop and liabilities reduce, but it is uncertain by how much."

He says this opens the door for more Masterbond and Supreme incidents.

Standard Bank chief accountant Henry Shaw agrees this will not rob the banking sector of much cash.

"The market is shy of non-registered DTI's because of a number of recent unfortunate events, and there is a perception that banks are more secure."

He believes the purpose of the amendment is to open the way for agents to participate in the commercial paper market. But he cautions that the concept of pooling has not been adequately clarified.

The other party believed to benefit from the amendment is stockbrokers. JSE president Roy Andersen says the move is welcomed by the JSE as it brings the local situation more into line with overseas intermediaries.

But this will not change the situation much for the JSE as they had a special dispensation to pool funds anyway.

The JSE employed Deloitte & Touche to reinforce JSE rules and procedures in anticipation of the amendment and a set of guidelines were circulated to member firms on Friday.

According to JSE rules, members may only accept deposits from clients in an agency capacity, when funds are pooled they may only be placed with a DTI, client funds must be separate from broker funds, and brokers may only conduct these activites with a specified mandate from the client.

Mr Andersen says the JSE believes there should be restrictions on where intermediaries place funds.

African bank plans taking shape

(58)

ABIDJAN — African ambitions to create an export-import bank to boost trade may come closer to reality in Cairo this week, despite criticism by Western countries.

The scheme's main sponsor, the African Development Bank, says it will galvanise exporters who are hamstrung by Africa's weak commercial banking network and the high cost of financing trade through banks outside the continent.

The bank will submit detailed proposals for an African Export-Import Bank (Afreximbank) to the first meeting of potential shareholders in Cairo on Thursday.

SA commercial banks, but not the Reserve Bank, are expected to attend the meeting, confirming SA's steadily increasing economic role in the continent and blossoming links with the African Development Bank.

Bank spokesman J W Otieno said: "I think we are quite open to the possibility of SA institutions in Afreximbank. We see it as a non-political organisation."

However, PETER GALLI reports that confirmation could not be obtained yesterday that SA banks would be at the meeting.

An Absa spokesman said he did not believe the bank had been invited, but was unaware of the conference. "We have been invited to a similar conference in Kenya in March and support any steps to encourage increased trade between the different African countries."

A Nedbank spokesman said there had been a number of discussions in different forums on the matter, but he was unable to

□ To Page 2

African bank

BDay 25/1/93 (58)

□ From Page 1

confirm if the bank had been invited.

Other banks could not be reached for comment.

African central and commercial banks, insurance companies and regional bodies will look at plans to launch Afreximbank with start-up capital of at least $500m.

A proposed three-category share structure would prevent African governments having a controlling interest.

"There is a will among African countries to make this work," said Otieno, who has worked closely on a project that began in earnest in 1987.

"I can foresee the bank starting operations before the end of this year," the Kenyan said.

A key goal is to encourage non-traditional exports, outside the traditional circuits for supplying European and other industrial nations with commodities and raw materials.

A second objective is to boost intra-African trade which, official registers show, accounts for no more than 5% of the continent's trading volume. Smuggling means the true figure is higher. — Sapa-Reuter.

Alarm over savings and loans loophole

B/DAY 25/1/93.

PETER GALLI

THE Reserve Bank expressed concern at the weekend about the possible use of the Co-operatives Act to circumvent banking legislation and allow savings and loans institutions to be established.

This move follows the announcement last week of the formation of the Metropolitan Housing Finance Co-operative (MetCo) — the first such company to apply for registration in terms of the Co-operatives Act — which would use a R25m IDT loan to provide personal and housing loans to underprivileged communities.

MetCo director Ben Pieters said a co-operative offered "the most meaningful way of attaining the legal stature of a savings and loan institution outside the Deposit-Taking Institutions Act".

A Registrar of Deposit-Taking Institutions spokesman said while there could be an opening in the Co-operatives Act that allowed this, "one set of legislation should surely not be used to circumvent another".

The writing of a Mutuals Bank Act was under consideration and initiatives towards such legislation were already under way, the spokesman said.

However, Registrar of Co-operatives Louis du Toit said he did not believe MetCo's activities went against the conditions of the Deposit-Taking Institutions Act.

"Initially MetCo will be acting only as a loan agency and this is quite permissible under the Co-operatives Act. When considering any application we take all other legislation into consideration," he said.

According to the Reserve Bank, so long as IDT funds have been granted by government, a bank or company there is no problem with a company like MetCo being established to lend out that money.

"However, as soon as money raised from the public is used by a company not registered as a bank to facilitate loans, this is in contravention of the DTI Act as that money is seen as a deposit."

MetCo plans to sell shares to its members — who will be the only people who qualify for loans — to create an additional source of capital.

The Registrar of Deposit-Taking Institutions spokesman said such an arrangement could be regarded as a deposit and MetCo would then fall foul of the Act.

However, Du Toit said the shares in the co-operative were "membership fees", and therefore did not circumvent the Deposit-Taking Instititutions Act.

The Registrar of Deposit-taking Institutions and the Registrar of Co-operatives are to meet next week.

See Page 3

Rand Merchant rated tops in SA

CT 25/11/93

(58)

JOHANNESBURG. — Rand Merchant Bank is the country's highest rated merchant bank, according to Republic Ratings.

Republic said at the weekend that RMB was also the first bank to be accorded a two-tier rating, one on a strictly "stand alone" basis and one considering the issue of shareholder support.

RMB's stand alone rating is A.1, indicating its very strong capacity to repay short term deposits, Republic said.

On the issue of shareholder support, RMB's rating was increased to A.1 on the basis of the structure of the recent merger with Momentum and the fact that Momentum has about R7,5bn of policyholder funds at its disposal. — Sapa

Liberty Life notches up record assurance figures

BDAY 25/1/93.

ANDREW KRUMM 58

ASSURER Liberty Life wrote a record R1,7bn worth of new business last year — up 36% from the previous high of R1,25bn in 1991, Liberty Life vice-chairman Dorian Wharton-Hood said at the weekend.

New individual recurring premium business was "particularly buoyant" rising 26% to R498m (R395m), while new individual single premium business jumped 41% to R524m. This means that Liberty Life sold the man in the street about R1,022bn of assurance in 1992.

Wharton Hood said the assurer's 19-month old medical insurance product Medical Lifestyle was responsible for the bulk of the increase in individual recurring premium income.

"Medical Lifestyle is by far the dominant product in its field, and will contribute a substantial portion of new business for some time."

However, he said, "we do not bluff ourselves that we will be dominant forever".

The state of the economy had boosted new individual single premium business, since more individuals had demanded inflation-hedged investments.

Group (or corporate) business was better than individual business. Total new group (recurring and single) business premium income leapt 40% to R678m, against R484m in 1991.

However, all of the increase came in the form of single premium group business, which rose 48% to R599m from R405m. Recurring group business remained static at R79m.

"The reason new recurring group business is so flat is that we now treat 'investment only' recurring business from groups as single premium group business."

Apart from the R1,7bn new business written by Liberty Life Association, fellow subsidiary Liberty Asset Management (Libam), the investment management arm of the Liberty Life Group, attracted R1,46bn in new investment in 1992.

Libam now manages more than R8bn of discretionary investment funds on behalf of major institutional clients and pension funds.

"The main reason for Libam's success in securing such a substantial increase in investment business has undoubtedly been its exceptional investment performance in recent years on behalf of its clients," said Wharton-Hood.

Wharton-Hood attributed the record new business figures to innovative marketing, quality service and sustained investment performance.

"I would be surprised if any reasonably sized insurer has figures remotely similar to this."

Bill aims to restrict role of agents in investing funds

LINDA ENSOR

CAPE TOWN — Draft amendments to the Deposit-Taking Institutions Act have been proposed which, if passed by Parliament, would further restrict the role of agents investing funds on behalf of clients.

The Act at present deals only with principals accepting money from the public.

The amendments Bill, if passed, would make it virtually impossible for investment funds raised from the public by an agent to be lent to an institution other than a bank.

It would therefore not be legally possible either for an agent to accept money for lending, or a person not registered as a deposit taking institution to use an agent to solicit funds.

The proposed amendment bill would also clarify the conditions under which the pooling of private citizens' funds were possible. Private individuals would be given the right to instruct an agent as to whether or not their funds may be pooled.

The Office for Deposit-Taking Institutions said last week the aim of the amendment was to clarify the role of an agent investing money on behalf of a client, to ensure that they clearly informed the person giving them a mandate that they were acting in the capacity of agent only.

"The supposition that the agent does not have to place the funds with a registered bank would materialise only in unusual situations, because the ultimate receiver of the funds would still have to adhere to all the provisions of the Act.

"Therefore, if a person regularly receives funds from the general public, through the intermediation of an agent, that person would be contravening the Act if such person is not duly registered as a deposit-taking institution."

The office said the Bill would have to be read in conjunction with the contents of regulations governing the issue of commercial paper and debentures that were still in force.

This interpretation of the Bill contradicts that of bankers who said last week they believed it would provide more scope to money brokers to compete with banks.

The Bill has still to be studied by the parliamentary joint committee on finance.

Reserve Bank wary of co-operative plan

From PETER GALLI

(58) CT 25/1/93

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A Registrar of DTI spokesman said while there could be an opening in the Co-operatives Act that allowed this, "one set of legislation should surely not be used to circumvent another".

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The Registrar of DTI and the Registrar of Co-operatives are to meet next week.

Hard times hit taximen

Sowetan 25/1/93.

By Joshua Raboroko

■ Financial institutions repossessed 800 minibus taxis in past six months:

FINANCIAL institutions repossessed about 800 minibus taxis in the past six months, citing feuds, decline in the economy and bad money management as some of the main reasons.

Others reasons were given as unprofitability on certain routes, boycotts, arrears and the spiralling cost of living.

The repossessions affected members of the South African Black Taxi Association (Sabta), the National African Federated Transport Organisation (Nafto) and individuals.

The public affairs manager of Sabta, Mr Mike Ntlatleng, said the number of vehicles repossessed in the six months (June-December 1992) was 450.

About 350 taxis were repossessed during the same period in 1991. The 1992 figure represented an average of 2,5 percent of the total number of vehicles bought through the Sabta Foundation Scheme.

Sabta members were financed by Wesbank but all those accounts had been transferred to FutureBank which opened two years ago.

Nafto president Mr Peter Rabali said more than 300 taxis financed by the Wesbank and Standard Bank were repossessed during the same period.

Chairman of the Cape Organisation of Democratic Taxi Associations Mr Kidwell Maqwayi said about 100 taxis were repossessed by financial institutions.

Most of the repossessions took place in the Transvaal, the Western and Eastern Cape and Natal where violence has become a way of life for taxi owners.

The general manager of FutureBank, Mr James de Smith, said many minibus taxis were repossessed because owners were in arrears. He did not have the exact number of clients affected but estimated the figure at about 450.

He said taxi feuds, unprofitability of routes, the bad economic climate and high instalments contributed to the downturn in the taxi industry.

"The bank normally negotiates with clients before such actions are taken," he said, adding: "Depriving them of their livelihood is the last thing we would like to do."

'Heavy beating'

Senior marketing manager of Stannic (car financing wing of Standard Bank) Mr Andrew Reekie said the taxi industry had taken a "heavy beating" as a result of the downturn in the economy.

Many owners were unable to meet their financial obligations and the banks had been left with no option but to repossess vehicles.

Owners were normally given 30 days after repossession to reclaim vehicles. Taxi organisations have expressed concern at the frightening rate of repossessions countrywide.

The black taxi industry, one of the fastest growing enterprises, is worth more than R1 000 million and has about 80 000 members affiliated to different organisations, according to a study by the executive consultant of Toyota Taxi Business Service, Mr Paul Browning.

He said a taxi owner today usually got less income than he or she received in the past. The survey had shown that an owner was presently earning between R1 500 and R2 000 a month compared to about R3 200 the previous

"Many owners are unable to meet their financial obligations and the banks have no option but to repossess vehicles"

58 [redacted] [redacted]

year.

He attributed the plunge to the increase in the price of minibuses.

"The community cannot afford to pay higher fares as a result of unemployment, poverty and the escalating cost of living," Browning said.

Ntlatleng said in an attempt to solve the problems Sabta was employing people to advise clients.

They were also negotiating with local-regional associations and the management of banks to see if arrears could not be settled.

Taxi wars and boycotts would have to be stopped in the future because they were detrimental to the industry.

Referring to bad management by taxi owners, Ntlatleng said it was important that drivers be taught how to run a business.

"Taxi owners must learn to pay their employees a living wage so that they will stop pilfering. Some drivers do many trips to make what their employers expect and then put the rest in their pockets," he said.

Rabali said that the industry was "overtraded" as a result of deregulation and that caused feuds on the routes.

Representatives of taxi organisations would ask the Minister of Transport, Mr Piet Welgemoed, to subsidise the taxi industry. They were due to meet the minister on Wednesday.

Maqwayi said taxi wars in the Western and Eastern Cape had a serious effect on the industry. Many vehicles were burnt out, resulting in owners not being able to pay instalments.

He said: "We managed to talk to financial institutions about our plight.

"The war is over and many vehicles are back on the road. We are just praying that no further wars take place."

Syfrets appoints two MDs

STmr 26/1/93.

By Stephen Cranston (58)

The position of Syfrets group managing director will fall away when John Cragg retires in March.

Separate managing directors have been appointed for investments and property finance.

Both will report to Nedcor chief exectuvie Chris Liebenberg.

The Syfrets investment business will be headed by Ashton Dominy, who will be based in Cape Town.

His portfolio will include unit trusts, pension fund management and fiduciary services such as insolvency, executorships, trusts and estate planning.

It will also include Syfrets's direct property interests as well as those owned in strategic alliances.

The Syfrets property finance business, which provides lending to developers of commercial and industrial property countrywide, will be headed by David Rennie who will be based in Johannesburg.

Cragg says the restructuring is another milestone in the evolution of Syfrets from a pure trust company into a multi-faceted financial services institution.

The restructuring will take time to complete, he says.

Life industry lobbies to alter plan

Bi Day 26/1/93 (300) 58

LINDA ENSOR

CAPE TOWN — The life industry is lobbying for a change in the proposed application of the four-fund approach to the taxation of life offices to prevent the blanket taxation of all transfers of excess funds into the shareholders' account.

Life Offices Association (LOA) public relations standing committee convenor Dorian Wharton-Hood said yesterday the industry believed the taxation of fund transfers, on the assumption they were capital gains, was unfair.

A distinction needed to be made between transfers which should attract tax and those necessary for good management.

In terms of the four-fund approach all excesses in the different funds would have to be transfered into the shareholders' fund.

But he welcomed other aspects of the four-fund approach which he said levelled the playing fields with other financial institutions, granted full tax relief on expenses and excluded dividends from tax.

Also of concern to the industry was the proposal in the Jacobs report that the question of principal or agent dictate the taxation of life offices. The report suggested all life assurance transactions be taxed regardless of whether life offices were operating as principal or agent, when in fact assurers never acted as agents.

On introducing a holistic approach to regulating financial institutions, Wharton-Hood said the LOA did not oppose the idea in principle as long as the rules applied were appropriate.

COMPANIES

Syfrets to form two divisions

LINDA ENSOR (58)

CAPE TOWN — Nedcor subsidiary Syfrets is to restructure its operations into separate investment and property finance divisions, each with its own MD, to develop the two business streams within Syfrets.

This would replace the existing unified managerial structure under group MD John Cragg, who retires in March.

Cragg said yesterday the aim of the restructuring exercise was to allow the different operations to develop their respective markets more fully.

"This restructuring is yet another milestone in Syfrets' successful evolution from a pure trust company into a multifaceted financial services institution," Cragg said.

"It places Syfrets in an even stronger position to maximise the potential for reciprocal business from other Nedcor companies, as well as from the emerging business opportunities in SA."

Transvaal regional director Ashton Dominy will become Cape Town-based MD of the investment business, which includes unit trusts, pension fund management, private client portfolio management and fiduciary services such as insolvencies, executorships, trusts and estate planning.

The investment division will also take responsibility for Syfrets' direct property interests as well as those owned through certain strategic alliances. Dominy will be accountable for the various corporate support services serving all business units.

Senior GM in charge of fiduciary services David Rennie will become the Johannesburg-based MD of Syfrets property finance business, which provides loans to developers of commercial and industrial property. B/DAY 26/1/93.

Both Dominy and Rennie will report to the Syfrets board of directors and to Nedcor chairman Chris Liebenberg.

B/Day 26/1/93

Marshalls happy with its figures

(S8)

PETER GALL [redacted]

DURBAN-based property group Marshalls posted a 19% rise in turnover to R26,97m for the year to end-December from R22,68m in 1991.

This translated into a 12% rise in group profit to R7,54m (R6,75m previously). Interest paid fell 14% to R1,45m (R1,68m), putting pre-tax profit up 20% at R6,09m (R5,06m).

After tax and outside shareholders' interest, shareholders' earnings rose 16% to R3,16m (R2,72m), or 37,2c (32c) a share. A dividend 14% higher at 24c (21c) was declared for the year.

Chairman David Marshall said the results were satisfactory given the economic conditions. "The average occupancy of our property portfolio improved to 94% from 93% in 1991, while rental income rose 14% to R11,31m. The net asset value also rose 10% to 914c (833c) a share."

The group's property portfolio was valued in December on an "open market" basis at R75,95m. Current assets were R13,12m, cash deposits were R2,65m, current liabilities totalled R3,46m, mortgages R10,67m and a bank overdraft was R774 000.

Marcons, which derived its income solely from a 69% controlling investment in Marshalls, posted a 17% rise in earnings to 11,7c (10c) a share, while dividends were reported 21% up at 11,9c (9,8c) a share.

Syfrets unbundles main revenue earners

(58)

CT 26/11/93

JOHANNESBURG. — Syfrets is to unbundle its investment and property finance divisions into separate businesses, the financial services group announced yesterday.

The decision to restructure its two main revenue earners was ratified at a board meeting on Friday and is designed to capitalise on the gains made in its core businesses over the past five years.

The new Syfrets Investment arm will deal with unit trusts, pension fund management, private client portfolio management and fiduciary services. It will also include Syfrets' direct property interests as well as those owned through certain strategic alliances.

Syfrets' property arm will continue to finance business which provides commercial and industrial property in the country.

The restructuring coincides with the retirement of group MD John Cragg in March and Ashton Dominy will become MD of the investment business while property MD will be David Rennie.

The group's brand identity will not change. — Sapa

Sechold lifts
STAR 27/1/93
net income
STAR 27/1/93.
18 percent

By Stephen Cranston 58

Sechold improved net income after tax and internal reserve transfers by 18 percent to R9,54 million and earnings per share by the same percentage to 40,6c in the six months to December.

The dividend, however, was increased by just seven percent to 15,5c as dividend cover rose from 2,4 to 2,6 times, in line with the group's intention to increase dividend cover to 3 times over the next five years.

There was improved profitability in all four deposit-taking institutions — Securities Investment Bank, Secfin Bank, NDH Bank and District Securities.

Total shareholders' funds now stand at R141,1 million — an increase of 138 percent.

Ordinary shareholders' funds increased by 23 percent to R68,4 million. The return on shareholders' funds is 29,2 percent.

Although earnings from trading activities is important, Sechold intends to improve its recurring quality earnings.

The home loans division of Secfin Bank has grown satisfactorily

There was a substantial increase in funds under the management of Securities Portfolio Managers, which now exceed R1 billion.

Old Mutual moots hike in tax on lump sum benefits

BIOM 27/1/93. 58

GRETA STEYN

OLD MUTUAL yesterday called on government to address the tax leakage through lump sum payments, saying it would support an increase in the taxation of lump sum benefits.

The move should form part of an overhaul of the retirement system that did away with tax arbitrage and allayed the industry's uncertainty over tax increases, Old Mutual GM Garth Griffin said.

Speaking at a seminar on employee benefits, Griffin said it was time government took a standpoint on the relative benefits of lump sums or incomes, and adjust taxation accordingly. He said this was a prerequisite for restructuring the retirement system and doing away with tax arbitrage. He argued that the system should be restructured to "collapse" pension and provident funds together.

In its representation to the Financial Services Board on the issue, Old Mutal said it would support an increase in the taxation of lump sum benefits, either by implementing the Margo commission proposal (the application of the individual's average rate of tax over the three years before receiving the lump sum) or the application of the present tax tables to the lump sum income.

A move to tax lump sums would reduce the incentive to encash benefits. There appeared to be consensus in the industry that the present basis of taxing lump sum benefits needed revision.

"Well considered action will lead to a greater degree of certainty and allay fears of a much wider emotional attack on the overall system."

However, the disparity between public and private sector taxation of pension benefits would have to be addressed before any wider review could be attempted. The continuation of the "very significant" tax free benefits available to members of state and other public sector funds created a distortion that mitigated against rational decisions on the taxation of lump sum benefits.

It was also essential that the existing rights of present fund members be defined and protected.

This was a "contentious issue" and defining existing rights would "necessarily be subjective".

Sechold rises to challenge

B/D Bus

DUMA GQUBULE (58)

SECHOLD reported an 18% rise in attributable earnings to R9,5m for the six months to end-December.

The banking group said its four deposit-taking institutions — Securities Investment Bank, Secfin Bank, NDH Bank and District Securites Bank — had all improved profits under challenging conditions.

Sechold would increase its holding in District Securities Bank to 75% on Saturday. Executive management would acquire the remaining 25% from Boland Bank. 27/1/93

The group's income statement showed net income after tax and internal reserves transfers of R9,5m, equivalent to 40,6c (34,4c) a share. The interim dividend rose 7% to 15,5c (14,5c) a share.

Concern over projected returns from syndications

B|DAY 27/1/93.

(58)

PETER GALLI

THERE is still concern in the property market about the projected returns given by property syndications when they are launched.

SA Property Owners' Association (Sapoa) executive director Brian Kirchmann says the recently formed Professional Property Syndication Association (PPSA) has gone a long way towards improving the situation, but still lacks "teeth", as enabling legislation is not yet in place.

"Prospective investors must scrutinise the prospectus closely and deal with any doubts they may have before committing themselves. They should also ascertain that the syndicator is a member of the PPSA," he says.

Investec Property Group joint MD Stan Hackner agrees, saying that syndication investments are no different from other forms of investment, and carry an element of risk.

"However, by investing with a credible firm that is a member of the PPSA and closely looking at all the documentation, investors can be assured of a sound investment," he said.

Investec subsidiary Metboard has launched its latest R9,5m property syndication in Ladysmith, as it believes properties in growing regional centres can offer superior returns to those in major urban centres.

The 8 114m² Three Beares retail centre is located in the heart of Ladysmith, regarded as one of Natal's major regional growth nodes, says Metboard investment manager Stephen Weir.

Investors are being offered a total of 950 share blocks in the property at R10 000 a unit. "The property is bond-free, which ensures that the growth potential of the investment is not compromised by high and volatile interest rates," he says.

A cash component has been included in the syndicate to cover any unexpected maintenance, tenant installation or relocation costs.

"Metboard expects a cumulative pre-tax return on the investment of 131,69% over the next five years, comprising 67,68% income and 64,01% capital growth. The income projection is based on a 2% vacancy factor but excludes possible turnover rental," he says.

Hackner says full details of how these projections are obtained are given in the prospectus, which is freely available to prospective investors.

"The property is backed by underlying leases and is valued on an initial yield of 11%, and the same rate is applied to annual income over the first five years to determine the projected capital growth over this period," he says.

"However, the actual yield that applies is determined by variable economic factors and we do not have a crystal ball."

Metboard will create a secondary market in the shareblocks for those investors wishing to sell their units, either by offering them to prospective investors or by repurchasing a number of units.

The centre is fully let, with 93% of space occupied by major national retailers such as Game, CNA, Beares, Nedbank and Foschini.

Most of the leases run for a minimum of five years and the remaining 7% of space is let to local retailers.

"Property syndications can offer the private investor an attractive and secure medium- to long-term investment, provided the credibility of the promoter, the tenant profile and the location of the property stand up to close scrutiny," Weir says.

Sapoa endorses property syndications as desirable long-term property investments as long as they are properly structured and managed, and sufficient information is provided by the promoter, he says.

Metboard subscribes to the code of practice recently issued by Sapoa and the PPSA for the protection of investors.

Discount leases are on the way out, say groups

B/DAY ANDREW KRUMM 27/1/93

DISCOUNT leases in the form of rent-free periods were not here to stay, property groups agreed yesterday — albeit for different reasons. (58)

Old Mutual Properties investment manager Ian Watt said the marketing tactic had been disastrous overseas, where rent-free periods were determined in years, not months. The result, particularly in the US and Australia, was that new tenants granted lower or no rentals often went to the wall before paying rent. Existing tenants demanded the same concessions.

"The impact of the rent-free period overseas has been a substantial devaluation of property portfolios."

He added that Old Mutual Properties had not and would not adopt the rent-free approach since the consequences for existing tenants and landlords were negative.

"Existing tenants make up 100% of any landlord's business, so why should only prospective tenants benefit in times of a downturn?"

The exclusive nature of the rent-free period built instability into the property market, and soured the essential long-term relationship between tenants and landlords.

Ampros office leasing manager John Maynard said he saw a return to normal methods of leasing, as increasing demand in an upturn eroded supply. In the meantime, and only in specific instances, heightened competition required heightened reaction.

Baker Street Associates MD Rodney Timm said rent-free periods had already begun to shorten.

"Rent-free periods are still there, but landlords are now unwilling to grant long discount periods. The day of the nine-month rent-free offer, for example, has passed," he said.

Timm added that there was a healthy new trend in the granting of rental discounts, which disciplined a possible defaulter tenant into paying rent.

The idea was to grant a rent-free concession, but to spread it over a longer period, which required the tenant to pay rent every second month.

Rabie to begin two Cape developments

JOHN DLUDLU

RABIE Property Developers has embarked on two residential developments in the Cape to cater for the demand for reasonably priced property in the area.

A residential development would be built at the Strand giving the area a further boost as a coastal resort, said chairman John Rabie. BDay 27/1/93

The R10m project, to be known as Greenways Country Estate, would be built on the site of the Strand golf course on the beachfront and would be completed by September.

Rabie said the golf club would be moving to a new site, bordering Broadway and the Lourens River. The development would take place in phases and would be synchronised with the building of the new course.

"In the first phase, 88 single residential sites will be sold. The total development will comprise 400 sites, of which 200 will be for residential purposes."

Thirty of the 88 sites would be on the beachfront and each site would cost R95 000, he said.

In the second phase recreational facilities, a clubhouse, tennis courts and a swimming pool would be built. These would be run by a homeowners' association.

"The development will combine features of a country club with homes boasting sea and mountain views," Rabie said. Emphasis would be placed on security, with controlled access to the fully walled development.

LINDA ENSOR reports that Rabie has also embarked on the development of a R30m sectional title apartment block, Sea Spray, in Table View, Cape Town.

The development will consist of 105 units on five storeys, priced from R145 000. This follows the success of two other developments in the area, Dolphin Beach and Ocean Village.

Exchange controls should stay

58 CT 27/1/93

JOHANNESBURG. — SA's exchange controls should not be abolished before economic and political restructuring had proven to be successful and sustainable, a senior finance ministry official said.

Speaking on implications for the local financial markets of economic restructuring, Estian Calitz, deputy director-general of the Department of Finance stressed that care should be taken in relaxing restrictions on foreign capital flows.

He cautioned that the path to trade liberalisation should be "trodden carefully, especially in 1993 — a year in which the third interim foreign debt arrangement with our creditors expires and new arrangements will have to be concluded". — Sapa

Seeff Organisational Holdings pulls Execuprop into its fold

SEEFF Organisational Holdings is still on the acquisition trail, having just bought commercial and industrial property Execuprop for an undisclosed amount.

The acquisition ties in with the group's strategy of buying established companies with a sound market reputation and incorporating them within its fold.

Chairman Lawrence Seeff said yesterday: "Execuprop is a medium-sized brokerage operating in the PWV area and has 10 brokers. It will be renamed Seeff Commercial and Industrial Properies and the deal will be effective from March 1."

All staff would be retained under the leadership of founder and MD Colin Blacher, who started the company four years ago. He would retain an equity stake in the company, Seeff said.

Seeff intended to combine its infrastructure and experience in the field with Execuprop's expertise to form a company that would become a "major force in the PWV area". It would probably eventually have about 25 brokers, including one in the Pretoria area. B/Day 27/1/93

"We are still talking with both residential and commercial and industrial firms in Durban. I hope we will have a deal on the residential side quite soon. Finding a suitable commercial company is expected to take longer," Seeff said.

Blacher said the Seeff group's diversity and its "clout in the marketplace" had been the main reason behind his decision to allow Execuprop to be incorporated within the group.

"We have huge growth projections and aim to address our weaknesses and consolidate our strengths," he said.

The group had previously concentrated largely on the industrial market but would now be actively addressing the commercial and retail markets. It also intended to offer its services to institutional and pension fund clients.

COMPANIES

Absa slashes estate agents' fees

58

ANDREW KRUMM

BANKING and finance group Absa yesterday announced a large cut in membership fees for its Multi Listing Services subsidiary, intensifying the battle for estate agents' computer listing business.

Absa deputy CE Mike de Blanche said MLS would slash estate agents membership fees by 70% from May 1 and offer members automatic access to advanced property administration software — all for R88 a month. Estate agents would also be offered the lease of a PC and printer.

De Blanche said the full computerisation of MLS had made the cut in membership fees possible. However, industry sources said the move was designed to win market share from arch-competitor Comprehensive Property Services. B/Day

CPS was backed by most major financial institutions in SA, with the exception of Absa, they said. 27/1/93.

CPS MD Stefan Swanepoel said he was not concerned by the move, which was a "desperate attempt" by MLS to gain business. "This is the third or fourth cut in fees MLS has made in the past two years. All they have done is bring their fee structure in line at long last."

Swanepoel said the MLS fee would undercut his company's but said CPS was "fully booked for the next six months."

He said CPS's membership fees ranged from R150 to R250 a month, while the company leased out a range of computer hardware and software for between R280 and R340 a month.

De Blanche said MLS's service included the electronic processing of bond applications, the earlier registration of the property in the new owner's name, faster financial settlement to the seller and prompt payment of commission to estate agents.

Telkom joins capital market's major league

B/Day 27/1/93.

TIM MARSLAND

TELKOM has emerged as the third biggest player in the capital market, after government and Eskom, with turnover from its market-making activities reaching R160bn in the current year.

Telkom GM Treasury Willie Landman said yesterday most of the funding for 1993/94 had been completed.

About R1,3bn had been sold through the medium-dated TK05 and the TK07 bonds to pay for the TK02 which falls due on March 31. Less than R1bn remained to be funded.

Landman said funding was done in the medium area as this was where the demand was. This area also offered the best opportunities on the yield curve.

Telkom currently has R4,525bn issued in bonds. This was reduced from R7,7bn through buy-back operations and switching out of money market investments into its bonds. Landman said Telkom might issue two new bonds in 1993/94. One could mature between 1998 and 2008 and the other around 2015.

A dealer said Telkom could be considering a high coupon bond in order to make it more attractive to foreigners.

Telkom was also developing an options market in its stock.

He said Telkom was also increasing its offshore marketing drive. About 4% of its bonds are held by foreigners and 90% by local institutions.

Landman said a number of offshore banks had approached Telkom with a view to making a market on its bonds. Telkom had taken no decison on this.

DM200m in German bonds matured in July, he said. Telkom would consider rolling over the loans, depending on costs. It had no plans at present to raise further cash offshore.

He said Telkom would be keen to roll over the bonds to retain its presence in offshore bond markets.

Finance costs, now projected at R1,5bn for 1992/93, were reduced by about R250m through Telkom's marketing operations. Revenue was projected at R7,5bn and expenditure at R5,2bn.

Telkom also plans to issue commercial paper in the current year. Landman said the extent to which this method of financing would be pursued depended on interest rates. Telkom had the advantage that its paper was guaranteed by government.

Hanson gold-for-coal swap

LONDON — Anglo-US industrial conglomerate Hanson announced yesterday it had agreed to swap the gold assets of its US unit, Gold Field Mining Co, with the coal and quarry assets of Santa Fé Minerals Corp, which is linked to the US's Santa Fé Pacific Corp.

Hanson said it expected no significant gain or loss from the trade, which is subject to government approvals. The Santa Fé mines and quarries have a tangible net asset value of about $131m, while the Hanson gold assets have a similar value of $150m.

Among the assets Hanson will receive are Santa Fé's Lee Ranch coal strip-mine in New Mexico. Hanson said some of those reserves were subject to leases that generated royalty income. B/Day 27/1/93.

EXECUTIVE SUITE

Gold mines experience good December quarter

BDay 27/1/93

JONO WATERS

GOLD mines in SA had benefited from the increased rand gold price and higher grades which led to a satisfactory December quarter, analysts said yesterday.

Fergusson Bros, Hall, Stewart and Co analyst Trevor Pearton said it had been an acceptable quarter and showed that the industry was in good shape. "This indicates that the industry is hell bent on survival."

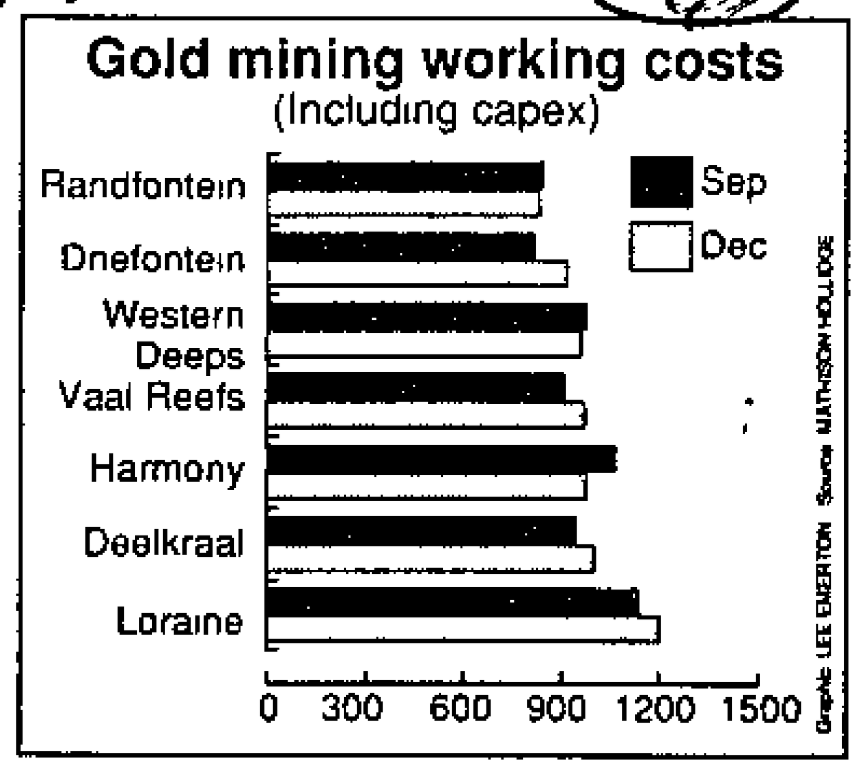
The higher gold price saw distributable profit rise to R411m from R344m in the Setember quarter.

The gold price received by the industry increased 2,7% to R33 128/kg over the past quarter, but the average spot price rose 4,2% to R32 267/kg. Pearton said this showed the extent of hedging, adding that some of the mining houses held positions that were "running down".

The 2,1% increase in grade in the industry to 5,41g/t offset a 1,2% fall in tonnage milled to 26,8-million tons. gold production rose 0,8% to 145 tons.

Pearton said the industry had managed to increase grades for the past three quarters.

Frankel Max Pollak Vinderine analyst Adrian Finch said if the rand-/gold price improved during the year, there would be more good quarters for producers. However, the mines were increasing pay limits and this was damaging in the long run.



The 0,38g/t grade increase at Harmony showed how marginal the mine was. "Harmony can probably keep this up for the next six to nine months, but can't go on forever."

Mathison and Hollidge analyst Rob Gillan said Harmony should not bank on making a large profit as government could stop seven-day a week operations.The mine was likely to trim profit in the current quarter and increase capital expenditure.

Capex at the mines had risen as expected, but some mines still came in with "fantastic results". Capex in the industry rose R89m to R505m in the December quarter.

E W Balderson analyst Nick Goodwin said the star performer had been Anglo American, but generally all the mining houses had a good quarter.

Finch regarded Gengold and Anglo as the best performers. They were managing to increase their grades and contain costs.

Pearton singled out Harmony, Harties and Beatrix as good operations in the quarter, but pointed out the results of ERPM, Deelkraal and Driefontein had suffered.

He believed the rand gold price would remain flat in the current quarter with grades not increasing by as much as in the previous quarter.

"We will see a lot of marginal variations in the current quarter and there is little potential for dividend growth."

Gillan expected the current quarter to be much the same as the last, except for higher capex.

The outlook for the current quarter was positive, said Goodwin, even with the gold price static in dollar terms as the rand was expected to weaken further.

Most analysts see the gold price averaging about R1 050 this year as the rand gets weaker. Mining house executives, who include JCI's Bill Nairn and Gengold's Gary Maude, see the rand reaching R3,50 to the dollar before the end of the year.

Analysts expect GFSA's Doornfontein to close before the end of the year and an announcement on the fate of Anglovaal's Loraine mine.

Randgold's debt-ridden ERPM mine would not be allowed to continue operations if it could not stem its losses, an analyst said.

Sechold rises to challenge

BDay

DUMA GQUBULE

SECHOLD reported an 18% rise in attributable earnings to R9,5m for the six months to end-December.

The banking group said its four deposit-taking institutions — Securities Investment Bank, Secfin Bank, NDH Bank and District Securites Bank — had all improved profits under challenging conditions.

Sechold would increase its holding in District Securities Bank to 75% on Saturday. Executive management would acquire the remaining 25% from Boland Bank. 27/1/93

The group's income statement showed net income after tax and internal reserves transfers of R9,5m, equivalent to 40,6c (34,4c) a share. The interim dividend rose 7% to 15,5c (14,5c) a share.

JCI 'unlikely to go it alone'

BDay 27/1/93

JANE ARBOUS

JCI has been widely tipped to buy a major stake in Johnson Matthey, but SA analysts doubt that it will go it alone on a deal of that size.

To buy the 38% offered by Charter Consolidated, analysts said JCI would have to raise about R2bn.

JCI's Rustenburg Platinum Holdings has a long-standing marketing contract with Johnson Matthey. Like Charter and its major stakeholder Minorco, both companies are part of the Anglo American Corp-De Beers Consolidated Mines family.

Analysts said a more likely scenario would be for JCI to take a small stake along with other parties connected to Anglo, which would be loathe to see the shareholding leave its controlling ambit.

"I don't see how JCI can take on that kind of additional debt, but there are a number of other permutations," said Rene Hochreiter of Anderson Wilson Partners.

Analysts said an offshore rights issue was possible, but such a large placing would be difficult to achieve.

JCI has so far declined to comment on whether it has made an offer for the Johnson Matthey stake. A spokeswoman said it would issue a statement this week.

Analysts said strict foreign exchange regulations were a major stumbling block to financing the deal, as were fears of anti-trust legislation in the EC and US.

Dave Russell of stockbrokers Irish & Menell Rosenberg Inc said there were no overwhelming strategic reasons for JCI or Rustenburg to buy the entire stake on offer. Most of the platinum technology and contracts developed by Johnson Matthey for Rustenburg were legally protected, Russell said.

"I have been told Rustenburg considers Johnson Matthey a 'hollow shell'.

"There is nothing much in there that they are frightened of losing, although they obviously would want to keep the close links," Russell said.

Speculation that the Charter sale, coupled with cash flow needs in Anglo/De Beers, could mean a wider shake-up in interlinked Anglo/De Beers shareholdings was "off track", analysts said.

Analysts said the ANC remained critical of the potential controlling and monopolistic influences of companies such as Anglo. — Reuter.

OM opposed to tax on annuity contributions

STAR 27/1/93.

By Sven Lünsche (300) (58)

Old Mutual has firmly rejected the Jacobs Committee's key recommendation of taxing retirement annuity contributions.

Instead, the giant life assurer has proposed an "aggressive" revision of the "very low" tax rate on lump-sum benefit payments.

In a submission to the Financial Services Board, Old Mutual urges the Government to avoid taxing retirement funds as a source of revenue in order to eradicate the racial disparity in state old age pensions.

The submission, which is in response to the recently released reports on the retirement industry by the Jacobs and Mouton committees, was presented yesterday by Old Mutual's general manager, employee benefits, Garth Griffin.

Griffin said the punitive costs of equalising state pensions, estimated at about R2,5 billion, had led to a scramble for additional revenue.

"However, many countries successfully encourage their retirement provision through tax deferral, as currently structured in SA.

"We, therefore, have little enthusiasm for the choice of pension and provident funds as a source of additional revenue," Griffin said.

Old Mutual would like to see the current system of retirement provision taxation largely unaltered, but there needs to be an aggessive overhaul of tax on lump-sum benefits.

"We have little doubt that the anomalies currently being exploited with regard to lump-sum benefits on retirement need to be addressed," he said.

He added that this meant putting tax paid by public-sector funds on the same footing as private-sector funds.

"We support an increase in the taxation of lump-sum benefits by either applying individual average rates of taxes over the three years prior to receipt of the lump sum, or applying current tax tables to the lump sum as a separate income," Griffin said.

As a longer-term measure, Old Mutual said provident and pension funds should be "collapsed" into a single retirement fund.

Contributions to this fund would be fully tax-deductible, and individuals would be able to choose between lump sum and income payouts at the end of their working careers, instead of being forced to make the decision at the start.

Bank expects big savings

BDAY 28/11/93.

SAVINGS of 20% or more are expected by the Development Bank of Southern Africa as a result of its decision to outsource its mainframe processing to AECI Information Services (AIS). 58

As its processing has moved to the AIS mainframe, group manager of corporate information Johan van Loggerenberg says the bank has sold back its Persetel mainframe to Persetel "for a reasonable price".

Terminals, controllers and front-end processors are still based at the bank, but various equipment is expected to be sold before the completion of the outsourcing exercise.

The bank's complement of 20 IT staff is not expected to be cut, because they are transferring their skills to networking and other areas still needed within the bank.

SA Eagle flies high

SX

SA Eagle Insurance posted a 36,1 percent gain in taxed income to R47,5 million for the year to December. STAR 28/1/93.

However, managing director PT Martin said yesterday gross premium growth had been very limited, rising by 2,7 percent to R905,42 million from R881,549 million.

He said this was due to adhering to correct underwriting standards, which had resulted in the loss of some accounts.

Poor premium growth was also due to "the adverse effect the economy has had on enterprises going out of business and companies curtailing their insurance, along with individuals taking similar action".

SA Eagle turned around a R831 000 underwriting loss in the previous year into a surplus of R11,2 million for 1992, he said.

A final dividend of 120c a share has been declared, pushing the total for the year to 195c (165c a share in the previous period).

Earnings a share were boosted from 287,2c a share to 390,6c. — Sapa.

Insurance out to improve standards

STAR 28/1/93.

58

TRAINING within the business sector varies from industry to industry. For example, educational courses in insurance are either excellent or non-existent.

Most insurance companies are many of the larger brokers provide their staff with in-house training and encourage them to study for international qualifications. But there are other insurance practitioners, who make a living "muddling through".

The Insurance Institute of South Africa (IISA) is an educational body, financially supported by most insurance/assurance companies and brokers to provide training and education for all workers at all levels within the industry.

The ultimate international insurance qualification is the Fellowship of the Chartered Insurance Institute (FCII) in this United Kingdom, which has now been replaced by the Fellowship of the Insurance Institute of South Africa (FIISA).

This normally takes about five years of part-time study through the IISA. Study books and notes are provided by the IISA and help is provided by staff at the institute.

The intermediate level is the Associative (ACII), which is no mean achievement.

It is interesting to note that although students may pass the exams for the Associateship and the Fellowship, the actual titles are only bestowed after election. This emphasises the professional status of the holders.

Other study courses include a basic introduction to insurance, the Certificate of Proficiency and Life Intermediaries Certificate, specialist courses for actuaries and those involved in pension matters, and many more. A certificate is granted on successful completion of each course.

The College of Insurance, at the Institute, holds practical training courses. The training courses cover diverse but specific subjects such as marine, computers, fire, risk management and numerous others. Classes on a wide range of subjects are scheduled throughout the year.

The new Insurance School of Africa is opening at the beginning of April to promote professionalism in insurance. It provides full-time study facilities to enable a graduate who joins the industry to be productive from the first working day.

This will fill a void, as few short-term insurance employers have the financial resources for training and educating new entrants to the insurance market.

The Insurance School has launched an intensive one-year, full-day AIISA diploma course, one of the programmes of the Insurance Institute of South Africa (IISA), with examinations on a par with world standards.

The diplomas's first six examinations will be held at the end of September, with a further three examinations at the end of March 1994.

Having passed all nine examinations, students will automatically qualify for as associate membership of the South African Institute. But they will be unable to use the letters AIISA until they have worked for two years in the industry.

The AIISA diploma course costs R9 000 which includes classrooms, workshop and lecture costs. In addition, each student must pay R1 000 to sit the IISA examinations. The Insurance School is at Varsity Place, corner Jan Smuts and Bordeaux avenues, Randburg.

Octodec sees profit grow by nearly R0,5m

(58)

RALPH LAZAR

RECENTLY restructured property loan stock company Octodec achieved a profit increase of R491 000 before debenture interest and after tax in the year to end August 31, chairman Alec Wapnick said in the annual report.

Wapnick said he expected growth in profit over the next year to be similar, in spite of domestic recession and instability. Octodec's profit for the financial year ending 31 August 1992 was R20,2m.

Octodec runs a niche market operation consisting of a selected portfolio of 84 industrial, commercial and retail properties located mainly in the greater Pretoria area. BDAY 28/1/93.

Octodec is a major shareholder in Octocity managers (Pty) Ltd which manages the portfolio. Octodec also subcontracts City Property Administration (Pty) Ltd to manage its properties.

The portfolio comprises mainly multitenanted, low rise, general purpose buildings designed for small to medium-sized businesses.

Octodec's properties have a well balanced tenant mix, avoiding overexposure to any one sector. The company focuses on buildings which are cost-effecient and do not date.

Tenant changes are less costly because they do not require extensive alterations normally associated with specialised buildings.

In the last financial year Octodec acquired two developed properties in Pretoria West and Silvertondale valued at R3,748m and sold two under-developed properties valued at R503 500.

The chairman said call rates on cash investments had been dropping for some time and it was decided to use the company's surplus cash cash funds for investment purposes.

The total return per linked unit for the year was 41,64c or 2,5% higher than the previous year.

Consolidated turnover for 1992 was R24,178m. Net income to ordinary shareholders was R386 000. Ordinary dividends paid were R193 000 and declared were R191 000.

Interest earnings per linked unit stood at 40,84c, while the dividend earning per linked unit was 0,8c.

SA Eagle flies back into black

B/Day 28/1/93. 58

ANDREW KRUMM

A SHARP rise in short-term insurer SA Eagle's underwriting surplus to R11,2m (R831 000 loss) pushed up earnings more than 36% in the year to December, Eagle MD Peter Martin said yesterday.

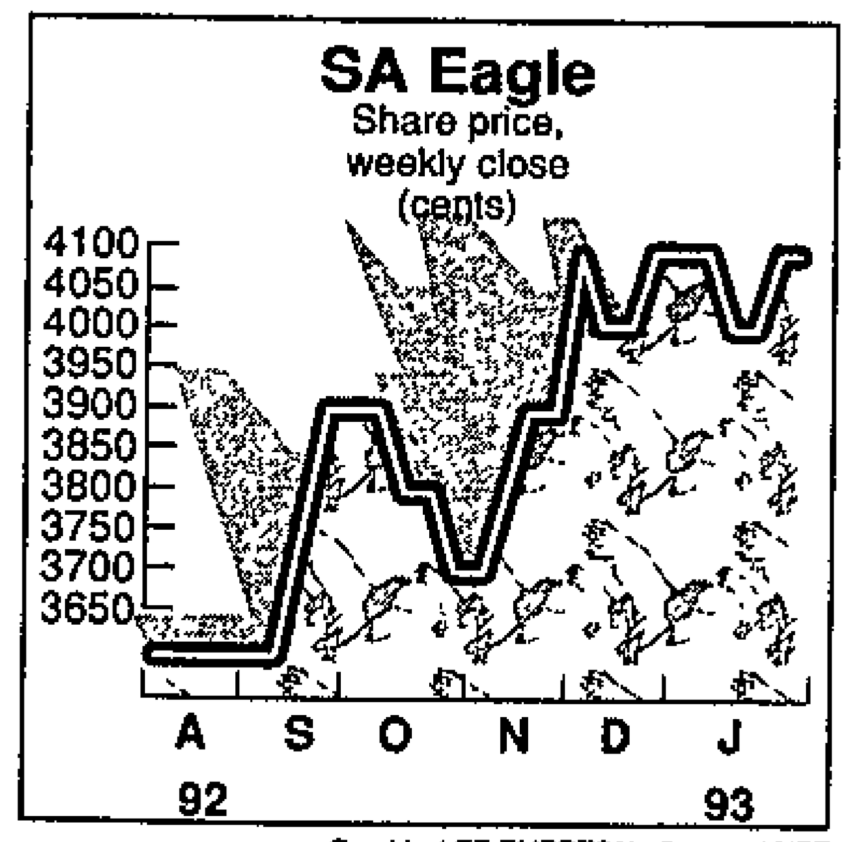
Attributable income rose to R47,5m (R34,9m in 1991), or earnings a share of 390,6c (287,2c). The final dividend was increased to 120c a share (105c), resulting in an 18% increase in total dividend to 195c (165c) a share.

Martin said gross written premiums had shown a "limited" increase to R905,4m in December (R881,5m), mainly as a result of the loss of some accounts. Some clients had been forced out of business by the recession while others had curtailed their insurance needs.

Action to cut losses and adherence to "correct" underwriting standards enabled the group to bump up its underwriting surplus to R11,2m in spite of significant fire losses and a high number of crime-related claims.

However, reinsurers had carried a substantial part of total claims.

Martin said rates on most classes of motor vehicle were "adequate", but continued to come under pressure because of the high incidence of theft and hijacking. "The motor account, while showing no growth, turned a loss into an acceptable profit in 1992."



Graphic: LEE EMERTON Source I-NET

Action taken in 1991 to stem losses — including premium increases — had resulted in the loss of certain accounts as clients went elsewhere for insurance. But it had paid off, and was in part responsible for SA Eagle's return to profitability.

The group's investment income rose 15,5% to R63,26m (R54,75m) mostly because of a larger inflow of interest income from a R160m cash holding and a "very positive cash flow". Cost cutting and good recovery of claims from reinsurers helped increase pre-tax earnings 48% to R70,85m (R47,75m). However, a R10,5m increase in Eagle's tax bill to R23,7m eroded after-tax income substantially. Martin said the group now administered assets worth R1,275bn (R1,168) and was satisfied with its 93,3% solvency margin.

Absa slashes MLS membership fees

58

Property Editor CT 28/1/93

ABSA is to slash its membership fees for its Multi-Listing Services subsidiary by 70% as of May 1.

The drop follows Absa's change in format of pricing in August last year.

While many in the industry, including its major competitor, Comprehensive Property Services see the move as an attmept to grow their mortgage book and gain market share, Absa GM Tienie van den Berg denied this was the motivation behind the fee reduction.

"The cheaper fees as of May have been made possible by lower overheads as a result of the full computerisation of MLS."

Union fund living up to promise

58 Star 28/1/93

By Derek Tommey

The Community Growth Fund (CGF) — the unit trust formed last year to help trade unions invest their funds in socially responsible enterprises — had assets of R20,9 million at the end of December, an interim report shows.

CGF, part-owned and managed by Syfrets, had by then invested 27,5 percent of its funds in industrial shares, 4,04 percent in financial shares and the remaining 68,21 percent in liquid assets.

The high level of liquidity reflects Syfrets's current view of investment prospects, says portfolio manager Leon Campher. Syfrets believes the market is over-discounting earnings.

The fund will be adding some mining shares to its portfolio, but not gold shares, and not commodity shares at the present time.

He expects investments to have grown to around R50 million by the end of June.

Tommey Oliphant, representative of the seven trade unions which own the fund jointly with Syfrets, says 11 companies have so far met both Syfrets's investment criteria and the fund's social responsibility criteria.

Job training

They are Standard Bank Investment Corporation (Stanbic), Malbak, Murray & Roberts, Safren, City Lodge Hotels, LTA, Lenco Holdings, Delta Electric Industries, Hudaco, Foodcorp and Unitrans.

Oliphant says the companies were examined in terms of seventeen social responsibility criteria ranging from industrial relations and job training to profit retention and affirmative action.

None of the companies had been found to be 100 percent perfect, but together they had met about 80 percent of the criteria.

Stanbic was singled out for having better industrial relations and higher wages than other big banks.

Safren scored on the progressive reputation of subsidiary Rennies. Hudaco and Unitrans boasted a strong skills training programme. City Lodge scored on expansion and job creation.

Literacy programmes at Malbak companies met with approval; Haggie, an associate company in the Malbak stable, received a special mention in this regard.

The overall return to investors between the fund's debut in June 1992 and end-December 1992 was 8,8 percent.

Over the same period, the JSE overall share index declined by 11,9 percent and inflation was 5,1 percent.

Workshops to debate life assurers' tax

BDM 28/1/93

LINDA ENSOR

CAPE TOWN — A bone of contention between the life industry and Inland Revenue in the application of the four-fund approach to the taxation of life assurers is the inclusion of capital appreciation of assets in the calculation of allowable expenses.

The problem is likely to be thrashed out at a series of workshops organised by the Life Office's Association and scheduled to take place in Johannesburg and Cape Town next week. 58 500

Sanlam senior GM George Rudman said the inclusion of capital appreciation of assets in the policyholders' fund in the calculation of allowable expenses was unprecedented in SA's taxation system.

But Inland Revenue legal drafting director Ian Meiklejohn said it was only a new application of the established principle that expenses allowed for tax deduction purposes should be pro-rated across a business's sources of income.

"My personal view is that it has to be taken into account," Meiklejohn said.

Red flag for bank bulls

W/mail 29/1-4/2/93

By BARBARA LUDMAN

IF the Johannesburg City Council refused to deal with financial institutions that practise redlining, it could cost the banks their share of a R2,8-billion account. 29/1 -4/2/93

The suggestion that the council take such a step to discourage banks from the "foolish and abhorrent" practice of redlining — wherein banks decline to lend money for bonds in certain areas — was made at a council meeting this week by Berea city councillor Sias Reyneke. 58

According to city treasurer W Siebert, there is nothing in the ordinance to stop the city council from moving its money to a bank or banks of its choice. Currently 80 percent of the council's transactions go through First National Bank; Trust Bank receives much of the rest, but when there's surplus cash, "we go where we get the best rate" — so all banks could be involved.

Tony Norton, of the Council of South African Banks, finds the idea inappropriate. "You can't blackmail trustees of other people's money into doing things they shouldn't do," he says — "following practices which are unsound and might prejudice their depositors.

"We can't advise our members what to do. But we want a sound banking system in South Africa, which means you follow sound banking practices: you lend only to people who have a capacity to pay, a willingness to pay and the assets to back up their purchase. The American banking system lost touch with those principles and got themselves into an awful position."

So far the suggestion that the council use its funds as leverage has not even been debated in council. But it has clearly hit a nerve.

"In the short term, the financial institutions are protecting what they perceive to be their risk," says Cedric de Beer, acting director of the Johannesburg City Council's Department of Urbanisation. "But redlining has a creeping effect, affecting suburb after suburb. In the long term it will affect the interests of tenants, property owners and financial institutions, who all have money tied up in the property market.

"We can't prescribe to financial institutions. But we would like to see tenants and institutions get together and look for creative solutions."

The South African National Civic Organisation (Sanco) notes that "the banks as institutions ... have an exceptionally important role in stabilising property markets so that a range of racial and income groups can live in harmony. This the banks are clearly not willing to do.

"One piece of information that may explain why the banks are hesitant, is their massive land holdings in the peri-urban areas."

Sanco quotes a report from the Central Witwatersrand Metropolitan Chamber that Amalgamated Banks of South Africa (Absa) owns part or all of nearly 6 000 hectares of non-dolomitic land.

And, it warns, "if the banks continue to redline as a threat to the Transvaal Provincial Administration not to make land available for low income housing, this will be met with a strong legislative campaign to prohibit such politics."

Interest rate cut looms

CT 29/1/93

58

By ARI JACOBSON

AN UNEXPECTEDLY sharp drop in consumer price inflation has cleared the way for a bank rate cut soon, the SA Reserve Bank said yesterday.

The good news followed on encouraging consumer inflation figures which showed a mere 9,6% increase for the year to December — the lowest since 1978.

And a spokesman for the compilers of the Consumer Price Index (CPI), the Central Statistical Service, added: "Not in our wildest dreams was such a figure expected — I thought we had made a mistake".

Deputy governor of the Reserve Bank, Mr Jaap Meijer, commented: "Everybody at the Bank has been taken by surprise by this good news".

Mr Meijer hinted that a bank rate cut would now have to be reconsidered "and soon, if there was to be one", because monetary targets were about to be formulated for the year.

The CPI was propelled lower by housing costs that edged up a mere 2,5% for the whole of 1992.

The housing component makes up about 20% of the CPI and consists of bond payments, rentals, municipal levies and rates and taxes.

The impetus for the single-digit inflation comes from the 3,25% decline to 16,75% in mortgage bond rates in 1992.

Old Mutual economist Mr Johann Els said the sharply lower inflation rate — down from a 16,2% rise a year previously — had been helped by falling food prices — especially meat, fruit and vegetables.

Food inflation, which was at an annual high of 30% in July, had slipped encouragingly to a 14% rise in December. Meat prices, which were soaring at a yearly increase of 36% in January, were up only 1,4% in December.

But food inflation still remained unacceptably high for 1992 — at about a 25% gain — against the 19% reported in 1991.

Mr Els mentioned that the drought could impact on food inflation and cause a repeat of the poor local maize harvest last year. He added, however, that this may be balanced by better rainfall later in the year which would help SA's fruit and vegetable production.

Executive director of the Consumer Council Mr Jan Cronje said he was "gladdened" by the latest inflation figures, adding that a cut in interest rates could now be contemplated.

Mr Els concluded that the CPI could average out at about 9% in 1993 — even if the VAT rate was increased to 13% and an added petrol price levy was introduced.

High interest rates 'no longer justifiable'

58

CT 29/1/93

By AUDREY D'ANGELO
Business Editor

THE unexpectedly steep drop in inflation to 9,6% means that the bank rate is now 7% in real terms "which is very high in the present stage of our business cycle," Sanlam chief economist Johan Louw said yesterday.

Pointing out that "it leaves the way open for a cut in the bank rate," Louw said the inflation rate no longer justified keeping interest rates at their present level.

They were well above the real interest rates of SA's main trading partners.

Louw pointed out that the fall to single digit inflation proved the success of the Reserve Bank's policy.

"The figure is much better than I expected. I thought it would be 10,3% this month.

"This declining tendency could carry on until March and the CPI could come down to 9,3%. But an increase in VAT in the March Budget could push it up to 10% again or even higher."

Louw said there had been a definite decline in inflationary expectations. "This will be reflected in more moderate wage demands this year. They will probably be between 8% and 10%.

"The financial position of the man in the street will remain very tight."

In his January Economic Comment, released yesterday for publication this morning, Louw says consumers will be helped by further cuts in interest rates, "which will reduce financing costs of bonds and credit purchases in 1993".

But there is unlikely to be any significant rise in consumer spending this year.

"The debt level of individuals is high and an improvement in cash flow owing to any reduction in the cost of credit will first be applied to redeem debt.

"This, together with the lack of job security, will continue to have a detrimental effect on the purchasing of durable goods such as furniture and household appliances."

But, he points out: "It is particularly heartening that the severe effect of the drought on food prices is weakening noticeably."

Louw says the real personal disposable income of South Africans grew by only about 2% a year during the '80s compared with 2,6% in the previous decade.

In 1991 it was at approximately the same level as in the early '70s.

Although there are signs of improvement in some economic indicators, immediate prospects for a meaningful recovery are not bright.

"It is therefore important that significant progress be made with the process of political reform so that foreign financing assistance can be obtained. Otherwise, the balance of payments could be a significant inhibiting factor in the process of economic recovery," says Louw.

Residential property market is turning around

Star 30/1/93. (58)

MONEY MATTERS

MAGNUS *Heystek*

THE mood in the residential property market — except in certain selected pockets — is very depressed.

Turnover levels and prices in many instances have dropped fairly substantially, especially in the upper end of the market.

It is rumoured that estate agents are loath to take on houses priced at more than R500 000.

The reason for this is that they advertise the properties for months on end at great cost and eventually the seller, not getting what he thinks the property is worth, takes it off the market, waiting for an upturn.

The sector which is still looking firm is the lower end of the cluster market, while developments with good security are attracting a smattering of interest, for obvious reasons.

But take heart· the outlook for the residential property market is slowly but surely turning around. And if the current positive political developments continue, the property market might rebound with a vengeance, even substantially — and sooner than people expect.

Balance sheets look better

The state of the residential property market, notwithstanding the current depressed climate, still appears high on the list of social conversation. The reason is quite obvious: most middle-class people relate their relative wealth to the equity in their houses.

Rising property prices mean that their personal balance sheets look better. They feel financially more secure, which might even induce them to take on more credit because they will always be "covered" by the rising net equity in their property.

Stagnant property prices or, worse, declining prices mean that their net worth is affected. It does not take a prize-winning economist to work out what this does to people's attitudes.

In the United Kingdom, where many people were sucked into the market at the height of the previous property boom, the downturn has left countless people negatively geared: their bonds are now greater than the market value of their houses.

Fortunately, this has happened only to a limited number of people in South Africa as house prices have chugged along steadily, despite the downturn in the economy (see first graph).

Average actual house prices increased from about R20 000 in 1975 to about R136 500 at the end of the first quarter of last year (later figures are not yet available). The boom time for the property market was between 1979 and 1984, when prices rose from R27 000 to R80 000, a growth rate of 196 percent.

Actual house prices dipped in 1985 and 1986 — when there was an economic downturn and countrywide social unrest. However, prices rose again between 1987 and 1992.

During this latter period actual house prices on average rose 95 percent from R70 000 to R136 500.

However, as always, inflation should be taken into consideration. If one strips away inflation over the same period of time, a totally different picture emerges.

In real terms, house prices (at 1990 prices) were R162 300 in 1975, falling to R129 600 in 1979, and then rising to peak at R190 300 in 1983 (see second graph).

Between the 1983 peak and the end of last March, real prices have dropped about 44 percent to R106 600.

But the use of gearing (mortgage finance) improved the returns.

The higher the gearing, the bigger the returns in real terms.

Property economist Neville Berkowitz says someone using gearing of 90 percent would have earned a return of capital of more than 90 percent during the past 10 years, despite the downward trend in prices.

But what drives property prices? Several factors, says Berkowitz.

The most important is a growing economy, and aligned to that is political confidence.

However, we won't have a growing economy if there is no increase in political confidence in this country

As Berkowitz says in a recent study on the property market. "What is required to kick-start the residential property market is low interest rates, coupled with confidence in the future of the country and in one's job prospects."

A growing economy very quickly leads to increased personal disposable incomes. In addition to that, it draws people from other parts of the world, increasing the demand for houses.

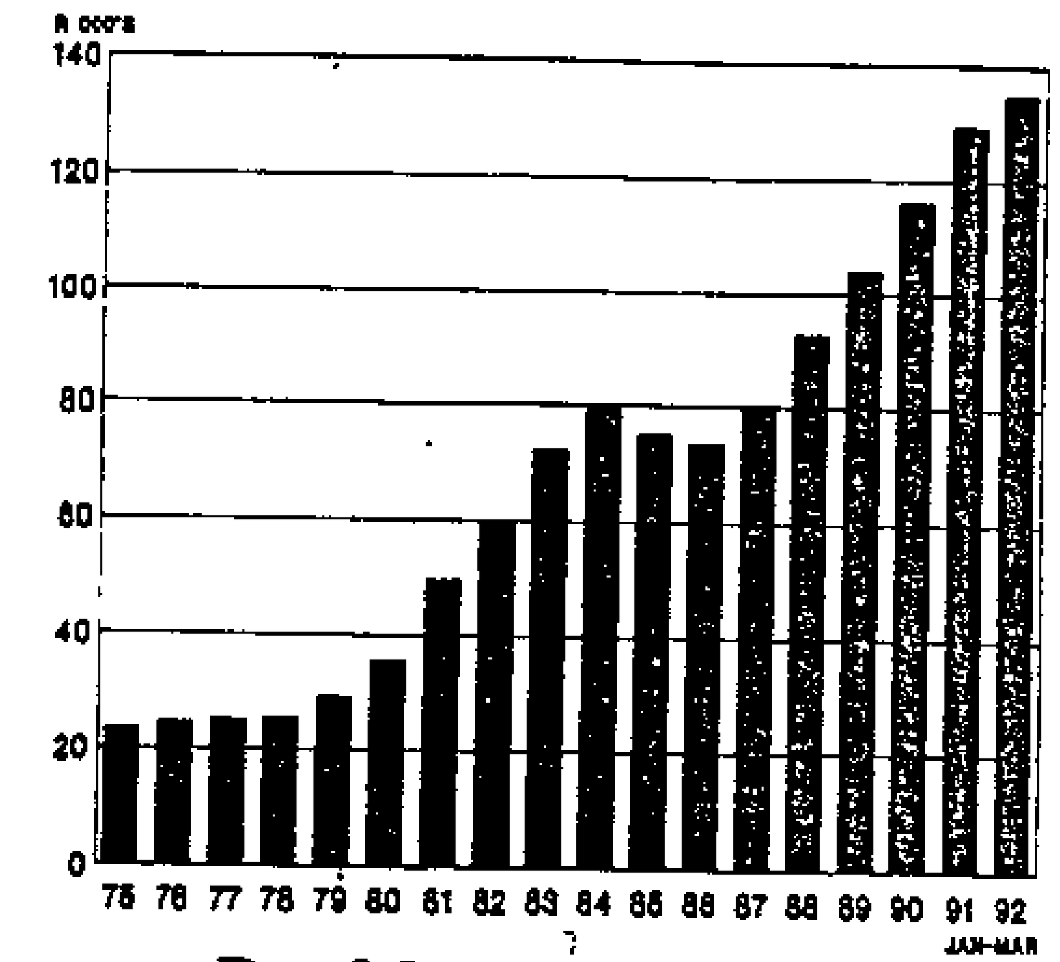
Timing of the essence

These are the signals that property-watchers should be looking for a political settlement, a growing economy and an influx of immigrants.

What should also be obvious to aspirant property speculators is that timing is of the essence. Buy at the right time in the right place, and one's returns can be astronomical.

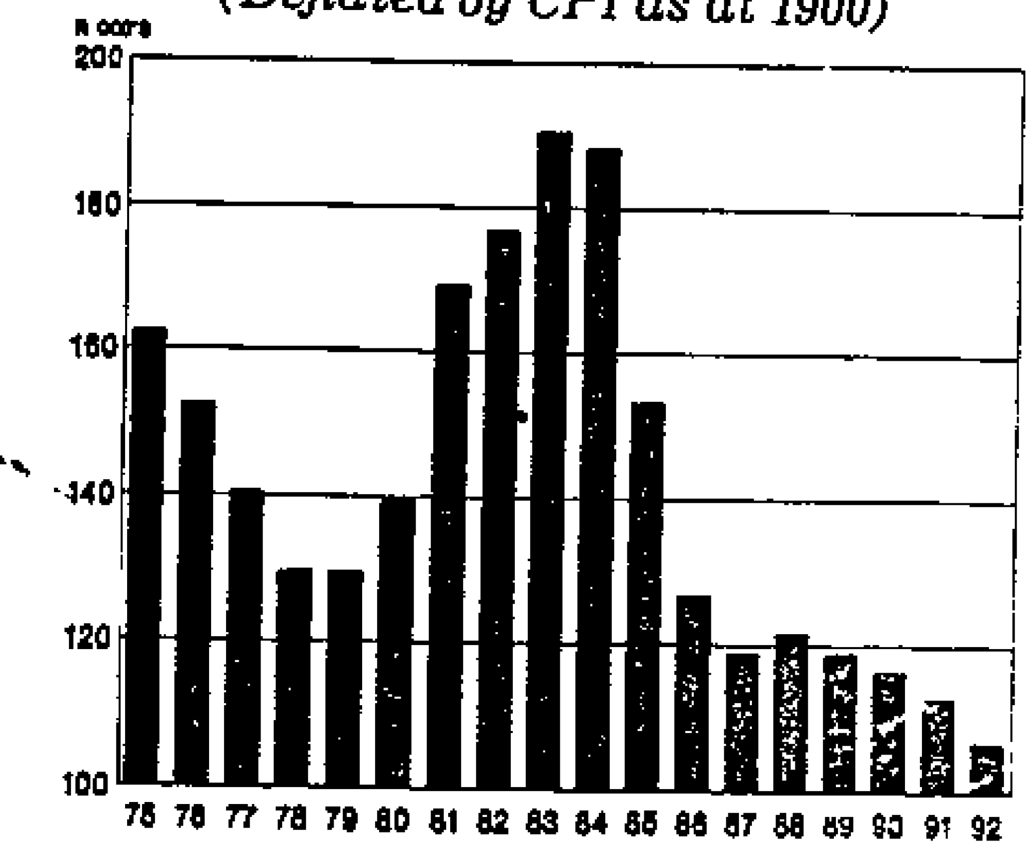
Deep down in my guts I have a feeling that we are rapidly approaching such a time once again. Maybe not next week or next month, but sometime towards the end of the year would, in my opinion, be the right time to get back on to the property bandwagon again

Actual house prices



Real house prices

(Deflated by CPI as at 1900)



1 000 000 homes — deposit free!

Cpress 31/1/93

(58)

By DESMOND BLOW

The government has officially approved an Old Mutual/Urban Foundation housing scheme that will enable more than a million families to build homes costing up to R45 000 without paying any deposit.

The initiative was formulated by the Old Mutual/Urban Foundation more than two years ago, but although approved by the government it was only gazetted around last Christmas and will be effective from this month.

It is expected that more than R4-billion – about five percent of all savings in pension and provident funds – will be available to fund the deposits for low-cost housing.

Home-owners will also be able to obtain the government subsidy for first-time home-owners for the first seven years of the bond.

The subsidy pays one-third of the interest on the first five years of the bond.

However, township developers will have to find means to build decent homes for a maximum of R45 000.

Old Mutual say they alone have 400 000 "underprivileged" contributors to pension and provident funds and that the four big insurance companies together have more than one million contributors who will be eligible for the scheme immediately.

These are people who are fully employed and have contributed to a fund for at least three years.

A spokesman said: "They are in effect borrowing back their own money. Financial institutions are loath to lend money to people who cannot put down 20 percent deposit and whose repayments are more than 25 percent of their salaries, and many people find it impossible to save up the 20 percent deposit.

"This scheme protects everyone and the financial institutions will have no excuse for red-lining any properties.

The owner can transfer the scheme to a new pension fund should he change jobs, and should he default and the house is sold he will be entitled to any profit.

Too much interest — banks sued

CT 30/1/93

PRETORIA. — Financial institutions have been sued for more than R16 million for discrepancies on interest charges, Interest Computation Experts (ICE) said this week. (58)

In a statement, ICE said in spite of an assurance by senior bank officials that banks would investigate claims and reimburse clients who had been overcharged, banks were reluctant to repay overcharged interest. ICE said banks followed delaying tactics by insisting on written proof of confirmation of interest rates before a claim was investigated.

"Clients very often are not in possession of written proof because rates applicable to overdrawn accounts are, as a rule, agreed verbally."

Of the five largest commercial banks in South Africa, one had already been sued for more than R13m. — Sapa

Grovewalk gets in under wire but . . .

(58)

STAR 1/2/93.

By David Canning

DURBAN — Grovewalk Holdings, whose shares have done a yo-yo between 5c and 25c, has beaten the JSE's deadline to produce its June 1992 annual report by the end of January or face suspension.

However, the report is "qualified" by auditors Ernst and Young.

At issue is the real market value of a major part of Grovewalk's assets — township land quoted in the report as having net realisable value of R8,88 million.

Ernst and Young says it is unable to satisfy itself about the net realisable value of this stock.

Managing director Gerard de Rauville says in his review: "The variables are too uncertain and judgments too subjective to determine whether the net realisable value of R8,88 million requires any further write down."

Budgeted loss

The group's "affordable sites and services" subsidiaries, which lost R5,19 million (R4,94 million) in 1992, and face a budgeted loss of R1,7 million in the current year, have been under enormous pressure because of the unfavourable economic and political circumstances in the townships.

Ernst and Young stresses the company and the group are dependent on the resumption of profitable operations in this area.

They also are dependent on on-going support of financiers to enable the group to meet its obligations in the ordinary course of business.

De Rauville says the 1992 loss (35,9c a share) stemmed mainly from write-offs of R4,6 million on township land stock.

He believes operating losses in the area will be substantially reduced this year, but this will depend on the ability to convert stocks to cash as quickly as possible, on interest rate trends, repayment of debt related to the stock, and political conditions.

Other areas of the group have been more successful. Overall, it has budgeted for a reversal of losses and production of a small surplus in 1992/3 and an acceptable level of earnings in 1993/4.

Rights issue by Higate

Star 1/2/93

Finance Staff

S8

Higate Property Fund is to raise R63 million by way of a 30-for-100 rights offer of 9,3 million units at 680c per unit.

Higate has declared a dividend of 29c for the period November 1 1992 to March 5 1993 and is forecasting a distribution of 12,25c for the period March 6 1993 to April 30.

This would take its total distribution to 81,25c, representing a yield of just under 12 percent on the rights offer issue price and an increase of 6,2 percent over the previous year's 76,5c per unit.

R63m target for Higate rights offer

(58)

B/D7+7 1/21/93

DUMA GQUBULE

HIGATE Property Fund hopes to raise R63m from its rights offer, the terms of which were disclosed today.

The offer is to be pitched at 680c a unit. The units were well bid at their year's peak of 730c on the JSE on Friday.

Higate earlier this month said the proceeds of the funds would be used to acquire and develop new properties and upgrade existing ones. Most of the proceeds from the rights offer would be invested in new properties and the rest held to take advantage of future property investments.

The fund, which is administered by Russell Marriot and Boyd Trust, will issue nearly 9,3-million new shares at a ratio of 30 rights units for every 100 units held.

A statement published today said Higate expected a distribution of 12,25c for the period from 6 March to 30 April, resulting in a total distribution of 81,25c for the year to end-April. This represented a yield of 11,95% on the rights offer of 680c a unit.

Higate was also expecting a distribution of not less than 83,75c for the year to end-April 1994, representing a yield of 12,32% on the offer price.

In its earlier statement Higate said it would pay unit holders registered on February 5 an interim distribution of 29c a unit for the five months from November, and another for the year to end-April.

MONEY MARKETS by Tim Marsland

Commercial paper a good bet

58

COMMERCIAL paper is taking off in SA.

Iscor launched its commercial paper a year ago and is "quite satisfied" with it. It is now reaping the benefits of lower interest rates. Iscor's interest rate is linked to the liquid Bankers' Acceptance.

Now Telkom has taken up the cudgels and is putting the final touches to its own commercial paper issue. Telkom's paper will have the added advantage of being government-guaranteed. It is looking at various maturities for its paper.

With the liquid BA about to be abolished, the commercial paper market could fill its shoes. Should commercial paper become sufficiently popular, it could fulfil the role of a short-term interest rate for SA.

Commercial paper can be secured or unsecured and is a short-term promissory note with a maturity up to 344 days.

Commercial paper generally results in lower funding costs as the banking system is bypassed. It also allows the issuer flexibility to set the maturity date according to funding requirements.

A potential hindrance to the development of a local commercial paper market is that there are only about 20 blue chip firms that can issue commercial paper, because of their low risk rating. The corporate bond market faces a similar problem.

BDM 1/2/93.

Smaller firms could also issue commercial paper, but costs resulting from the higher risk could be prohibitive. It would be easier for smaller firms to use funding instruments offered by banks. However, the commercial paper market may yet take off. Transnet's Elfi issue is a case in point. Greeted at first with scepticism, it is now an important part of the debt market.

Broad focus at Cityhold

(58) KELVIN BROWN

CITY Investment Holdings (Cityhold) would continue with its policy of careful diversification into related industries in 1993, MD Frits Eloff said in the group's annual report. B/DAY

All the group's business units achieved profitability. An agreement with the controlling shareholders ensured that the company would continue to grow through diversification.

The directors identified areas for rationalisation and dynamic growth that would contribute to the group's results in 1993, Eloff said. 1/2/93

In the year to end-September, turnover increased by 53,9% to R30,8m. Net income before taxation decreased to R202 000 from R757 000 . The group paid no tax in 1992.

Retained income increased to R1,96m from R1,8m as a result of higher retained income at the beginning of the year of R1,8m (R1,2m) and a lower proposed dividend of 1c a share (5c a share).

Earnings a share fell to 2,53c from 4,19c.

Sanlam asked to back paper

KELVIN BROWN

SANLAM senior media relations manager Boet van der Spuy confirmed yesterday that Sanlam had received a request from the ANC to invest in the publication of a daily newspaper. He added his company was considering the proposal seriously.

Van der Spuy was unable to provide any details of monies involved as Sanlam had a duty to respect the confidentiality of its clients.

He was reacting to reports in Sunday newspapers that the ANC would be launching a daily newspaper and three magazines by June this year, and that several top SA companies had been approached to fund the publications.

The reports also said one of the top backers of the scheme was former Lonrho head Tiny Rowland.

However, the ANC yesterday denied the publications would be for the ANC, saying they would be "democratic publications".

ANC spokesman Carl Niehaus said reports that the ANC was to launch a daily newspaper and three magazines in June were "incorrect and misleading", Sapa reports. "The ANC will only facilitate the launching of the publications. The publications will in no way be ANC-owned and no firm date has been set."

Niehaus said it was hoped other parties might be interested in the venture and help create a "democratic Press".

□ To Page 2

1/2/93

(58)

Sanlam BDAM 1|2|93.

□ From Page 1

Van der Spuy dismissed reports that Sanlam was asked to donate the money to the ANC.

Sanlam had a policy not to donate money to any political organisation and did not involve itself in politics.

"If we did, this would upset some of our policyholders. We have all types of policyholders representing the whole spectrum of political thought," Van der Spuy said.

The request was being viewed as a potential business transaction.

"Any decision to invest would be based purely on whether the investment offers good returns and provides adequate guarantees. We do not want to lose money," Van der Spuy said.

A decision on whether to proceed with the investment would be made soon.

CHRIS BATEMAN reports that Donald Trelford, editor of the Observer in London which is owned by Lonrho, confirmed that he had met ANC members "interested in a newspaper project" in London recently, but he denied that the Observer was directly involved.

A spokesman for his office said: "ANC people interested in a newspaper project were in London and he invited them for lunch. That is the sum total of the Observer's involvement."

She said suggestions that the newspaper was sending a team to SA to assist in setting up a newspaper were wrong.

She could not speculate on Lonrho involvement in the project although the Sunday Times said yesterday Rowland's recent undertaking to support the project had ensured publication dates had been fixed for June this year.

The newspaper said the ANC would be investing up to R20m of its own capital in the project.

Niehaus confirmed that a 15-member Nigerian delegation headed by Chief Abiola, head of the Nigerian Stock Exchange, newspaper owner and owner of several companies, would arrive in Johannesburg on Monday to "discuss and consult" on the matter.

(58)

COMPANIES

Platinum needs 'will increase'

MERVYN HARRIS

PLATINUM and rhodium demand for autocatalysts in Europe in 1993 could increase by 25% compared with 1992, says Rustenburg Platinum marketing and planning director Todd Bruce.

He was reacting to a report in Business Day that platinum demand might not receive a boost from European legislation requiring all new cars to be fitted with autocatalysts from January this year.

The report said according to analysts most new cars had already been fitted with autocatalysts by August last year and that latest information indicated lower car sales in Europe. BDAY 2/2/93.

Bruce said of all new cars sold in Europe during 1992 only some 60% were equipped with autocatalysts.

"It is estimated that during 1993, the percentage of cars sold with autocatalysts will increase to 85-90%.

"The amount of platinum and rhodium consumed in autocatalysts in Europe during 1993 could thus increase by some 25% compared with 1992, taking into account the possible overall reduction in European car sales this year and the car size distributions in each country."

Todd said the platinum market was currently characterised by significant pressure on physical metal supplies. Platinum in the form of "sponge" — the usual form used by industry — was in short supply.

"In addition, platinum borrowing rates are at 4,5to 5% a year, levels which further indicate the relative tightness of physical metal availabilities," he said.

EP Building Society and Fedlife in new link

BDAY 2/2/93

ANDREW KRUMM

FEDLIFE is to take up a R25m debenture issue by the EP Building Society, which will further entrench the relationship between the two organisations, a joint statement said yesterday.

EP Building Society CE Trevor Jennings said the debenture issue would provide the building society with a source of secondary capital, and heralded a strategic change of direction on its part.

"The debenture issue will be made possible by an amendment to the Mutual Building Societies Act, which should be promulgated in February.

"This will enable the EPBS to generate profits in line with the banking industry and close the gap between ourselves and commercial banks."

Fedlife group CE Arnold Basserabie said it was natural that Fedlife should take up the issue, as a mutual synergy had developed betweeen the groups since 1988, when Fedlife formed an association to offer its life products to EPBS clients.

Jennings echoed this, saying the issue would give Fedlife a seat on the building society board, and see the building society give preference to Fedlife products.

"In fact, if the EPBS ever decided to go the equity route and become a deposit taking institution, then the Fedlife group would be very favourably placed to take up a strategic shareholding in the EPBS."

Jennings added that "the new legislation allows more flexibility in the changing financial services environment, and puts us in a position to restructure".

Plans were "well advanced" for the society to move in the direction of a general mortgage bank. This included moving away from retail building society services in all provinces except the Cape.

In addition, the installation of a new computer system, and a thorough review of the building society's work processes, required a re-assessment of its staff needs, Jennings said.

Talks on Dabi's sale continuing

JONO WATERS

JCI cash shell Dabi Investments chairman Martin Cross said today negotiations were continuing with potential buyers of the company. BDAY 2/2/93.

Last year Dabi disposed of its share portfolio, with the exception of 1,82-million Consolidated Metallurgical Industries shares, which were distributed in November as a dividend in specie of 40 CMI shares for every 100 Dabi shares.

The company declared a special dividend of 787c a share at the same time.

Cross said the company as a cash shell had a value of about 200c a share.

Results for the six months to December 31 1992, showed after-tax profit had declined marginally to R1,07m compared with R1,16m in the same period in 1991.

However, the extraordinary item of R33,9m and R11,7m from non-distributable reserves, had boosted distributable profit to R48,7m (R2,22m).

The company's shares were suspended on the JSE and London Stock Exchanges last November, and the directors have a period of eight months from the date of suspension to realise the residual value of the company.

Star 2/2/93

Fedlife backing for EP

By Finance Staff 58

Insurance group Fedlife is putting its might behind the EP Building Soceity by taking up the building society's debenture issue of R25 million.

The issue, to be announced shortly, will be made possible by amendments to the Mutual Building Society Act due to be promulgated during the forthcoming session of parliment.

The amendments will allow mutual building societies to issue debentures as part of their secondary capital requirements.

Trevor Jennings of the EP Building Soceity commented: "The new legislation allows for far more flexibility in the changing financial services environment. Plans are well advanced for the society to move in the direction of a general mortgage bank."

Chief executive of Fedsure, Arnold Basserabie, says: "Taking up the debenture issue is in keeping with our policy of enhancing our activities in the broader financial services industry to complement our core insurance interests."

Interest rates likely to drop

BRUCE CAMERON (58) ARG 2/2/93
Business Staff

BANKS and building societies are likely to take the initiative to drop interest rates if Reserve Bank Governor Dr Chris Stals does not move in the next few days.

Dr Stals indicated today that the bank rate of 14 percent was under review after the drop in the inflation rate to 9,6 percent and restricted growth in money supply within the Reserve Bank's guideline range of seven to 10 percent.

With a one-point drop in the offing and a possible further one-point cut in a few months, there is good news, particularly for mortgage bond holders and hard-pressed business.

But any reductions will hit people on fixed incomes, particularly pensioners.

Mr Rob Lee of the Board of Executors said today that the capital and money markets had already factored in a decrease in the bank rate, and banks could be expected to anticipate a decrease with a drop in lending rates, including bond rates, within a few days if Dr Stals did not make an announcement soon.

Dr Stals and Mr Lee agreed that the Reserve Bank still face problems in reaching a decision. These included the government budget deficit, the drought and the balance of payments.

But Mr Lee had no doubt the rate had to come down. "It is only a matter of timing."

He said that if there were good rains, and a political settlement relieved pressure on funds leaving the country, there could be another one-point drop within months.

Nedbank: little chance of rate cuts before Budget

61DAM 2/2/93

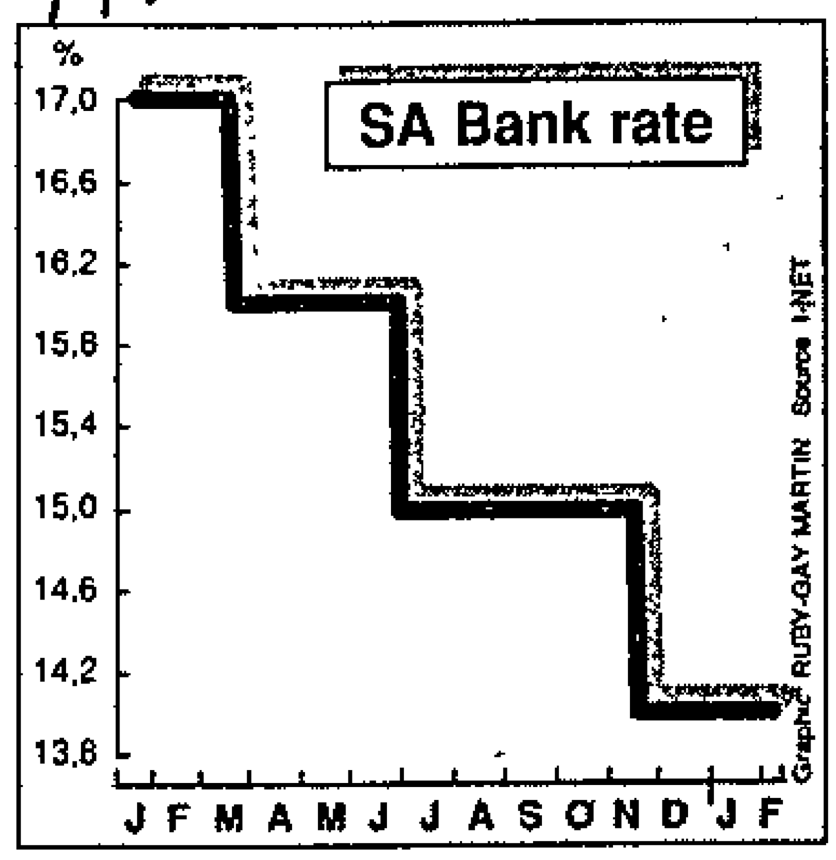
TIM MARSLAND

THE Reserve Bank might postpone any cut in interest rates until the inflationary effects of the March Budget were properly assessed, Nedbank said in its latest Economic Profile released yesterday.

It said a further one percentage point cut was possible over the next few months, based on the expectation that the consumer price index might show further declines to a low of around 9,5% in March.

But, concern over the balance of payments, particularly regarding the large debt repayment that fell due in 1993, as well as continuing payments for maize imports, might add to the Bank's reluctance to further ease monetary policy.

Nedbank said it had revised its GDP forecast for 1993 downward to 1% from 2%, because of the poor rainfall.



Lower inflation over the past few months had led to expectations of lower interest rates.

However, the March Budget was likely to include measures — in particular a hike in the VAT rate, as well as the fuel levy — that would increase the inflation rate.

Nedbank said the monetary authorities also remained concerned about the level of foreign exchange reserves, foreign debt and political developments.

These factors could lead the authorities to decide against any move in the Bank rate.

It said that political factors appeared to be moving in the right direction, but the increase of crime and political violence had hurt business and household confidence.

Nedbank forecast an average rate of 15,5% for government's R150 long bond for the end of 1993 and 13,5% for the Bankers' Acceptance (BA) rate.

Commodity prices remained under pressure for most of 1992, it said.

A positive outlook for general economic expansion globally could result in higher commodity prices and if this materialised, would benefit SA exports.

But, commodity price improvement was likely to be modest and there was also the continuing danger of Russian dumping of commodities, the report said.

Record year for Charter Life

ANDREW KRUMM

LIBERTY Life subsidiary Charter Life reported record increases in both new business and total premium income in the year to end December 1992. 61DAM 2/2/93

Chief operating officer Mike Jackson said yesterday the increases were largely due to success in packaging assurance products for financial institutions.

"New business income rose 42,5% to R46,23m for the year, against R32,4m in 1991. The increase in the company's total premium income, however, was even more marked, rising 42,7% from R57,7m in 1991, to R82,4m last year."

Jackson said Charter was one of the first life assurance companies to successfully exploit the synergy between life assurers and financial institutions. "As a result we can use these institutions' networks to distribute our products."

He added that in the past year Charter Life had restructured its idea of client servicing from a production line concept to a team servicing one.

This allowed policyholders to deal with one person as opposed to "five departments". Charter Life's investment funds were managed by Liberty Asset Management, he said.

Report 'will not affect SA firms'

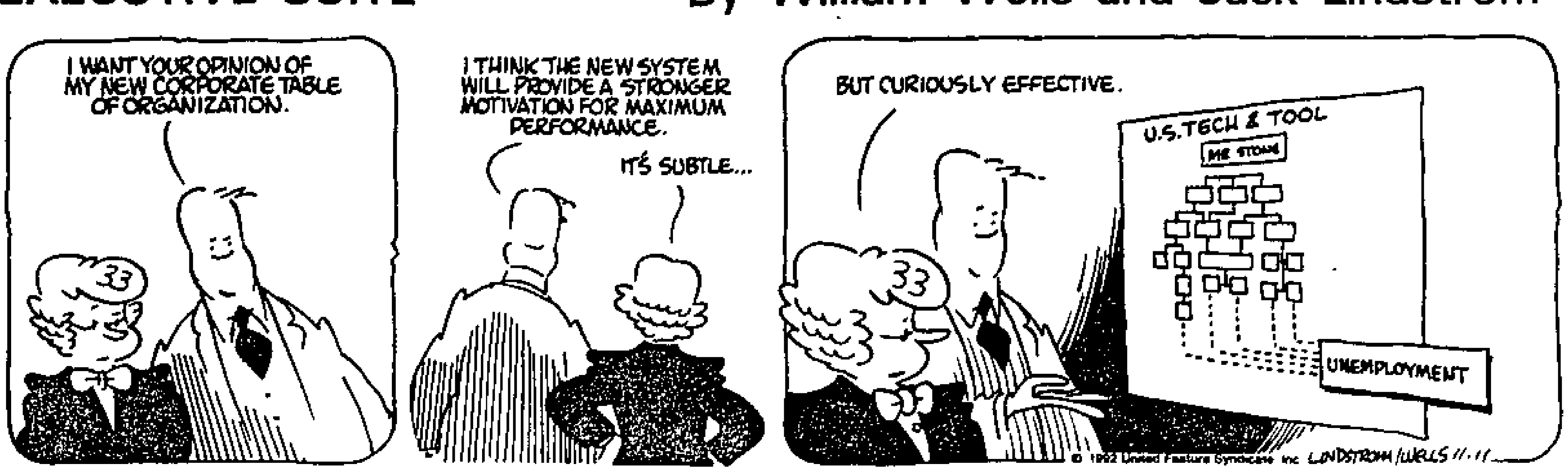
JONO WATERS

THE report by Japanese authorities clearing SA of dumping ferro-silicon manganese would not affect local producers, which did minimal business with Japan, industry leaders said yesterday.

Highveld Steel and Vanadium MD Trevor Jones described the report as "expected and a non-event", though it could mean "a tightening of prices".

Samancor MD Hans Smith said the news would not have much effect on the company, and would make no difference to profitability.

EXECUTIVE SUITE By William Wells and Jack Lindstrom



Pam Golding to restructure

B/DAY 3/2/93

PETER GALLI (58)

PAM Golding Properties (PGP) has embarked on a restructuring programme to boost its market share and competitiveness in a market dominated increasingly by financial institutions.

The move includes the formation of a holding company Pam Golding Properties, which holds the new franchising operation Pam Golding Franchises Services.

"We believe this corporate move is the best growth vehicle for the group. We are looking to expand further and at new property penetration," chairman Pam Golding says.

Franchise Services MD Brent Townes says the restructuring is motivated by the entry of financial institutions into the market, which has resulted in the rise of a few giants fighting for market share and bond business.

"As an independent company, we do not have access to institutional funds and have to grow from internal resources. Given the economic climate and the state of the market, allowing franchise operations facilitates this," he says.

There is also a shortage of good managers, many of whom demand autonomy or an equity interest, and the move will ensure entrepreneurial growth.

Royalty

"We will limit the total number of franchises to 52 over the next three to four years. We are starting in the eastern Cape and will then move to the Transvaal," he says.

Franchisees will pay an initial entry fee and an ongoing royalty fee for continued service.

The move is expected to boost PGP's annual turnover of about R1bn by about 33% over the next three to four years.

While a few existing branches outside the core metropolitan areas have been targeted for franchising, branches will remain largely unchanged.

In particular, the group has plans for its Natal division, where 20 new sites have been identified for franchise operations over the next five years.

Peter Golding, who has headed the Natal operation for the past year, has been appointed MD of the holding company and will oversee the transition phase.

Transvaal MD Ronald Ennik becomes national sales and training director and is replaced by Mark Raymond.

"Natal house prices have stabilised in nominal terms and are showing gains in the lower and middle end of the market. In all, Durban house prices reflect higher growth than those in the Cape or Transvaal as the prices are moving off a lower base," Townes says.

Listing services squaring up

ANDREW KRUMM

ABSA subsidiary Multi Listing Services (MLS) has hit out at recent comments by rival Comprehensive Property Services (CPS), which described a 70% cut in MLS membership fees as a "desperate attempt" to gain business.

(58)

Absa GM market development Tienie van der Bergh said the statements by CPS MD Stefan Swanepoel were inaccurate and spurious.

B|Day 3/2/93.

"He has broken a gentleman's agreement, made at his insistence, that the organisations not knock each other."

Swanepoel was reported last week as saying that a large drop in MLS membership fees was the "third or fourth cut" MLS had made in the past two years. The cut had brought MLS's fees structure in line "at long last", Swanepoel said.

Van der Bergh reacted angrily, saying the MLS fee framework had been "restructured" only twice in the past two years. The first occurred in August 1992, shortly after Absa acquired a controlling interest in MLS, for "obvious strategic reasons".

"We changed the 0,25% fee on the selling price of a property to a flat R275 monthly fee, to satisfy larger estate agencies who were paying too much compared with smaller agents."

The second took place last week — effective May 1 — heralding the full computerisation of MLS and the development of a new ACPS software system.

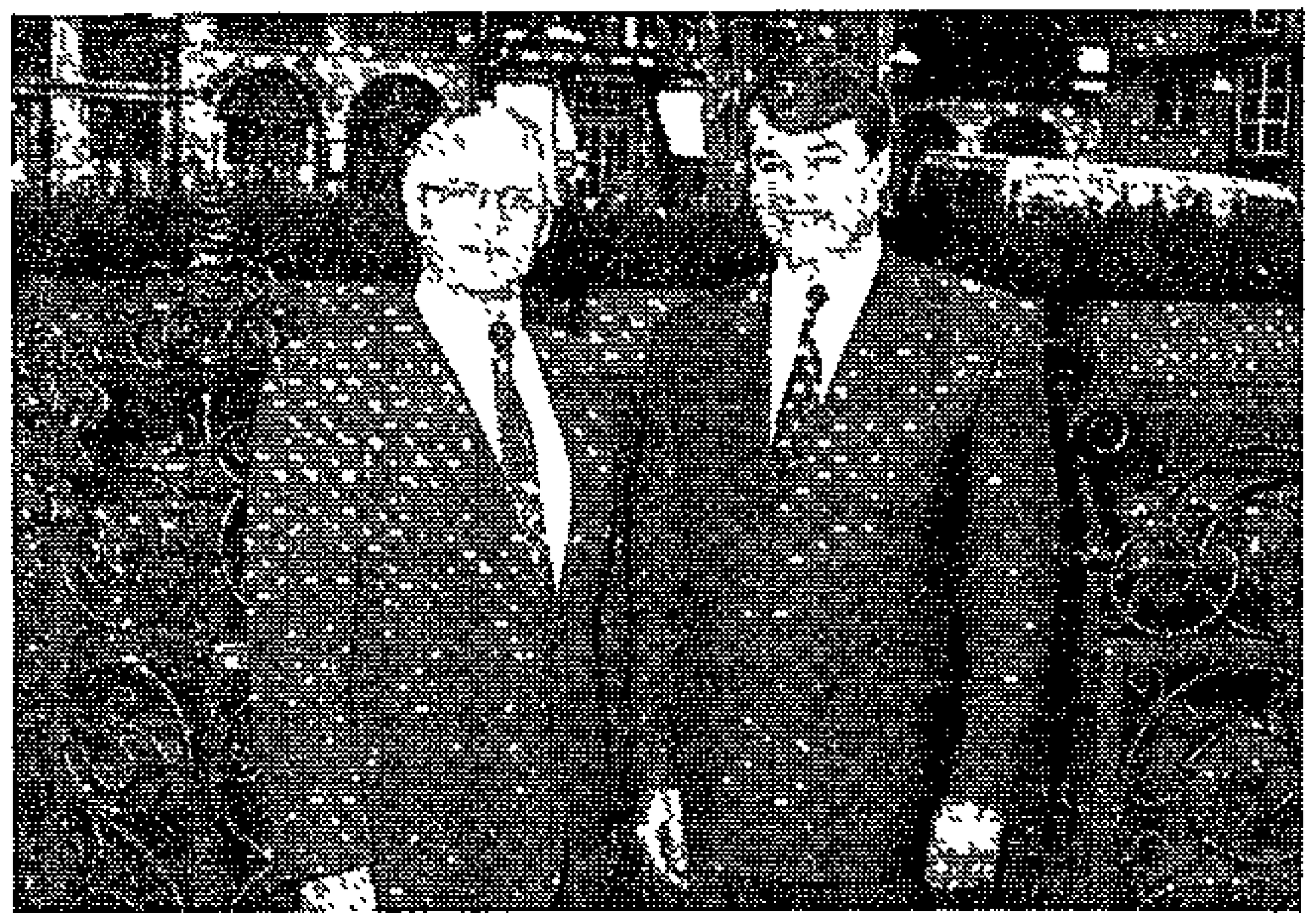
Van der Bergh said MLS had been in existence longer than CPS, had better property administration software, was more widely used by estate agents, and would outlast CPS.

"There are a number of reasons Swanepoel's listing system cannot compete with ours. First, CPS's listing service operates largely through Beltel. Second, the CPS listing is based on the regional data centre concept, a stage of development MLS passed four years ago."

He said each transaction on CPS had to be manually processed at every stage, from bond application to registration, to payment of the estate agents' commission.

"Third, the CPS network is small and relatively unused by agents. MLS has 1 000 estate agency members compared with the 300 largely unused terminals CPS has out there."

NEW APPOINTMENT ... Absa's newly appointed senior representative in Frankfurt, Hans-Martin von Tucher (left) with the GM of the bank's London branch, Jan-Arne Farstadt, in The Square at Frankfurt. The London branch recently celebrated its tenth anniversary.



SA

Absa launches Frankfurt office

By AUDREY D'ANGELO CT 3/2/97
Business Editor

AMALGAMATED Banks of SA (Absa) has increased its presence in the European Economic Community (EEC) by opening a representative office in Frankfurt.

It will be headed by Hans-Martin von Tucher, an international banking executive with more than 28 years experience in major financial institutions, who has both German and US citizenship and spent part of his childhood in SA.

Before joining Absa he was senior vice-president of the Corporate and Institutional Financial Services Group at the Bank of Montreal in Toronto.

He will report directly to Jan-Arne Farstadt, head of Absa's full-service London branch, which has a staff of more than 40 people and a balance sheet of more than R1bn. The branch recently celebrated its 10th anniversary.

A spokesman for Absa said that SA customers' trade with the EEC was expected to grow, and the UK branch and Frankfurt office would facilitate this.

Absa also has a subsidiary office in Hong Kong and relations with 40 banks in the Middle East.

Von Tucher said the new Frankfurt office was "aimed at developing international trade and financing operations for the group in Germany, which is SA's second largest trading partner.

"Imports to SA from Germany are currently running at about R5,98bn a year and exports to Germany at about R8,82bn.

"While two-way trade is already at an advanced level there is clearly scope for expansion of business in both directions given SA's full return to the international trading arena."

Absa "would like to capture a slice of the existing business as well as a significant portion of new business."

[redacted]

Property buyers advised on how to protect interests

BDAY 3/2/93. (58)

PETER GALLI

PROPERTY buyers have lost a large measure of protection because of legal changes to the "voetstoets" principle and should insist on warranties in writing, says Werksmans attorneys partner Stan Brasg.

This follows the most recent Appellate Division decision where the court held that for a seller to lose the protection afforded him under the "voetstoets" clause, it must be proved he was both aware of the existence of a latent defect and that he intentionally concealed this to defraud the buyer, Bragg says.

"The buyer has lost a large measure of protection by the changed legal position. It will be very difficult, if not impossible, to prove fraud on the part of the seller."

The buyer must never rely on the oral assurances of either the seller or his agent. An agent usually has no authority to make oral warranties on behalf of the seller, who can deny giving such warranties and which are excluded by the written agreement anyway, he says.

The buyer should ensure that written warranties specific to the item concerned are included in the sale agreement. An example of this would be to insert a clause stating: "The seller warrants that the swimming pool is not leaking and the filter is in proper working order and both will be in such condition on the date of occupation," says Bragg.

"Such warranties can be included for any aspect of the property about which the buyer is uncertain or dissatisfied....

"If the warranty is breached, it may entitle the buyer to claim a reduction in the price or even a cancellation of the sale," he says.

Another confusing issue was the question of which items in a building were fixtures, and which were fittings that could be removed.

Generally, a movable article that can be removed without damaging either the building or the article — and which has not become an integral part of the building — would be regarded as a removable fitting.

A distinction has been drawn by the courts between an installation that is essential to the functioning of the building and an installation that is related to an activity carried on in the building.

"For example, in a house, doors and windows and probably also the stove are essential to the functioning of the house as a dwelling and thus are fixtures. However, a television aerial is relevant only to the activities of the occupants and is classified as a fitting," Bragg says.

The courts have held that a generally accepted test is to determine whether the person who attached the article to the building intended it to remain there permanently.

Trend among industrialists to buy premises

BDAY 3/2/93

PETER GALLI

THE trend among industrialists to buy and occupy their industrial premises rather than rent them is continuing, says Rhobeta Developments MD Ray Bowers.

"In particular, areas like Strijdom Park have remained popular because of its proximity to the western bypass, the Randburg CBD and several residential areas.

"The last land with industrial zoning rights in Strijdom Park has been developed and, as there is good demand for space in the area and no new space is available, the time is right to launch our Rhodium Industrial Park development," he said.

The park, which offered 7 000m² of rentable space in 15 units, was due for completion by March 31. Two of the units had been let and negotiations were under way for another three.

The security of the area, coupled with security within the development, was a large drawcard to prospective buyers, Bowers said.

The Fontainbleau Centre on Republic Road offered retailers units with an industrial specification at industrial rentals. "This concept, which has been underused in the PWV area, offers a great opportunity to value centres, factory shops and discount outlets," he said.

Govt awarding smaller contracts

BDAY 3/2/93.

EDWARD WEST

THE days of multimillion-rand government construction contracts were virtually over, with the emphasis shifting to smaller contracts for essential services, industry sources said.

Murray & Roberts (M & R) Gillis-Mason chairman Adrian Boyd said the civil engineering market had changed in the past few months, with township infrastructure development becoming more predominant at the expense of more conventional infrastructure development such as roads.

SA Federation of Civil Engineering Contractors executive director William Vance said he believed the March Budget would vote substantial funds for uplifting poor communities.

Boyd said supplying services to townships had for years been impeded by bureaucracy and the several "forums" and commissions set up to resolve the problem. "To date no co-ordinated concept of urbanisation has emerged."

M & R suppliers and services director Brian Bruce said the changed emphasis in spending had resulted in the awarding of more small and medium-sized contracts at local and regional government levels.

Although several heavy civils contracts existed in the private sector, they would start only in the second quarter of 1993. These included the Columbus project, the Alusaf smelter, sewerage extensions in Johannesburg and Rand Water Board extensions.

Bill proposes to tighten loans law

LINDA ENSOR

(58)

CAPE TOWN — The Usury Amendment Bill, which proposes prohibiting imposition of finance charges for shorter or additional periods on money lending, credit or leasing transactions, was tabled in Parliament yesterday.

The Bill also proposes the payment of more or less equal instalments to prevent the final payment being considerably smaller than other payments.

Association of General Banks' Tony Norton said the Bill was an interim measure pending introduction of a new Usury Bill, hopefully during the current parliamentary session. He said the complexity of the existing Act had caused many problems. BIDAY 3/2/93

The Amendment Bill contains proposals for the abolition of exemptions regarding disclosure of finance charges in respect of money lending transactions and debentures.

Another clause aims to clearly describe the finance charges recoverable by drawing a distinction between finance charges mentioned in an instrument of debt and interim interest recoverable.

Another amendment requires that statements of account regarding transactions secured by a bond, shall be supplied to the borrower while provision is made for the appointment of inspectors to inspect activities of money lenders, credit providers and lessors.

The Bill seeks to empower inspectors to search premises and books without notice and to seize documents where a contravention of the Act is suspected. Inspectors also have the right to demand information.

Farm workers lose jobs over drought, new laws

BIDAY 3/2/93

Political Staff

CAPE TOWN — About 100 000 jobs had been lost in the agriculture industry in the past year because of the drought — as well as fears over possible labour legislation for farm workers, Agriculture Minister Kraai van Niekerk said yesterday.

But he believed government's drought aid scheme had saved 300 000 job opportunities in the industry. Job creation programmes in the homelands had provided at least 28 000 people with employment.

He intimated that government would continue to provide drought aid if needed. "We have no option other than to look at the merits of requests for assistance."

Government looked at the individual farmer's needs, as well as the effects of drought on the industry and on the economy as a whole. If government did nothing about the situation it would probably have to "pick up an account" in the end. This would include increased unemployment, accelerated urbanisation and the disintegration of the social fabric of rural areas.

Van Niekerk said the possibility of labour legislation for the agriculture industry meant that some farmers were cutting down the number of workers.

"In the past large numbers of labourers were employed on farms due to the sympathy of farmers," he said. Because of the possibility of minimum wage regulations and prescribed working conditions, some farmers had changed their approach.

Van Niekerk said it was likely that the legislation would suit farmers' needs. He did not believe that the new law would have a major impact on the industry.

He said farming conditions differed from those in industry and this needed to be taken into account. Most farmers already had some form of employment code, but it was necessary to get into line those with unacceptable practices.

He said a normal grain crop was expected this year. About 3,5-million hectares had been planted. Although drought was a threat, late rains had raised hopes.

UAL launches diversified unit trust

BIDAY 4/2/93.

ANDREW KRUMM

UAL Merchant Bank yesterday launched a new unit trust consisting of a wide spread of investments in equities, quoted property investments, gilts, cash and money market instruments.

The UAL Managed Fund Unit Trust is the fifth addition to the merchant bank's unit trust stable.

UAL investment division executive director Alister Colquhoun said the trust's diversified portfolio would enable the investor to get the sort of coverage that normally would be available only by investing in several different types of unit trusts.

UAL investment planning MD Peter Anschutz said: "The whole idea of the Managed Fund concept is that professionals will anticipate the markets and change the portfolio's emphasis after economic and market research." So, the large number of individuals who did not want the responsibility of making changes to their unit trust portfolios would not have to.

Colquhoun said the initial portfolio would be 48% invested in equities, 8% in listed property, 30% in gilts and 14% in cash and deposits.

58

"Our investment managers will lighten the holding of cash and deposits in favour of the other three sectors as and when the investment analysts in their strategy unit predict favourable movements."

Colquhoun added that the new unit trust would always conform with the prudency guidelines for retirement funds, with a minimum of 25% of funds invested in gilts and money market instruments.

The Managed Fund would give security while providing for inflation-beating capital growth. Distributions would be made twice yearly.

Poor cash flow for estate agents

BIDAy 4/2/93 (58)

PETER GALLI

THE Institute of Estate Agents, which was experiencing cash flow problems, posted a budgeted deficit of R705 340 in the six months to end-September 1992, national president Ian Taylor said yesterday.

"The continued recession has seen a fall-off in the number of our members and, as many are not making money, it is difficult for us to get subscriptions from them.

"We will overcome our cash flow problems as many agents are still paying their fees and any deficit at the year end will be funded from our stabilisation fund," he said.

He admitted the fund had already been "substantially depleted".

Estate agents canvassed yesterday said institute membership offered little benefit and it "does not do for its members what other boards do for their industries".

This sentiment had seen the institute's national membership subscriptions fall by about 12% over the past nine months to 5 986 from last April's high of 6 700. This in turn was a large contributor to the deficit of R705 340 between bugeted total income of R2,05m and actual income of R1,28m that was reported for the six-months to end-September 1992.

This figure is expected to be considerably higher for the year to end-March. A source close to the institute said that, of the 12 branches that made up the figures, only two had achieved budgeted income.

Head office was also believed to have recorded a large budget deficit and interest received and royalties from education had not achieved expected levels, he said.

A major bone of contention for members was the introduction of organisational subscriptions last year, which required principals to pay a fee for the agency, while each estate agent in its employ still had to pay an individual membership fee.

Apparently, a large number of principals refused to pay this fee, resulting in these subscriptions realising less than half of the R500 000 expected. Also, the institute recently issued warning letters threatening agencies that had not paid this fee with legal action.

This move incensed principals even further, with many threatening to withdraw their membership completely. Agents said yesterday the institute had backed down.

But Taylor said legal action could still be instituted and "nobody wants members who do not pay their fees".

An estate agent said yesterday: "There are about 38 000 members in the industry and only about 5 500 are in the institute.

"Its mandate is to enhance the image of the industry and to focus on improving the profession, but little appears to be happening in this regard and the membership numbers reflect this".

Taylor admitted that communication between the institute and its members was bad and that members "do not know what we do for them". An awareness campaign was planned to inform members and the public of its role and benefits.

Stals hints at imminent cut in Bank rate

BDay 4/2/93

GRETA STEYN

(58)

CAPE TOWN — Banks are poised to cut interest rates after Reserve Bank Governor Chris Stals gave a strong signal yesterday that he was about to reduce Bank rate.

He told a media briefing: "Some scope for a slight relaxation in monetary policy has now been created." However, all goals had not yet been reached, and the balance of payments situation "still leaves the country very vulnerable to unpredictable external shocks". Financial discipline would still have to be maintained this year.

Important monetary policy objectives had been achieved in the past three years. Policy had set out to create a more stable financial environment, and there was evidence this had been achieved. The rate of increase in bank credit had fallen from almost 30% in 1988 to below 10%, while money supply was expanding at a rate of 8,5% from 27,5% in the second half of 1988.

Inflation, at more than 20% in 1986 and almost 17% in mid-1989, had fallen below 10%. The soundness of the banking system had also been improved with the introduction of the Deposit-Taking Institutions Act. The new approach to banking supervision emphasised risk management rather than prudential provisions.

The net foreign exchange reserves had improved from only a few hundred million rands in mid-1989 to more than R10bn. The exchange rate of the rand had been stabilised, with the currency depreciating over the past two years by the inflation differential between SA and its major trading partners. The Bank had not yet succeeded, however, in stabilising the finrand.

Stals said he would not regard an increase in inflation after a hike in the VAT rate as a reason to delay a cut in interest rates. However, if the Budget deficit was not reduced and capital outflows continued at their present rate, the monetary policy reins would be tightened.

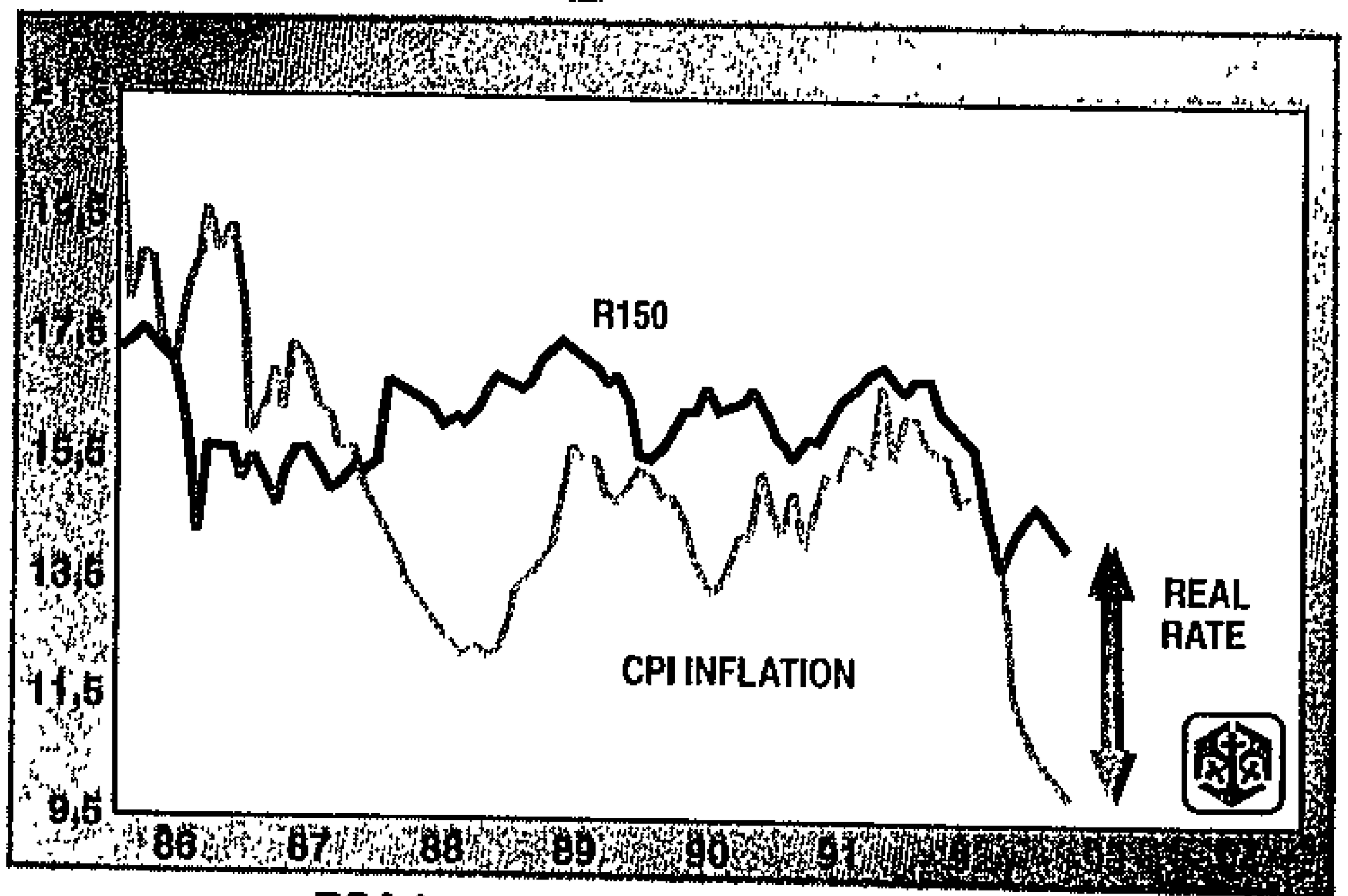
STAR 4/2/93 (58)

Sanity returns to capital market

Some realism came back into the market yesterday after the key R150 fell 30 points on Tuesday from 14,45 percent to 14,15 percent, before closing at 14,19 percent.

The market movement was explained by expectations of a Bank rate cut yesterday. It was also fuelled by good inflation and money supply figures and the belief that VAT would rise to 12 percent and not 13 percent.

During the morning the bond traded between 14,17 to 14,22 percent, but on news that there would be no Bank rate cut, rates went to 14,30 percent before closing at 14,25 percent.



RSA long rate versus inflation

ceived their Christmas mail. has still not been collected by customers from their post boxes. Picture: Michael Sparks

Star 4/2/93

Inner-city tenants break bond freeze

58

By Jo-Anne Collinge

A pioneering co-operative housing venture has broken through the "red line" — or mortgage bond freeze — which banks have imposed in Hillbrow and Joubert Park, thanks to support from the tripartite Central Johannesburg Partnership (CJP).

More than 2 000 inner-city tenants now have the bank loan they so desperately need to take joint ownership and control of the seven buildings where many of them lived as "illegals" under the shadow of the Group Areas Act.

Leading financial institutions had agreed conditionally to lend R8 million for the acquisition and renovation of the blocks of flats in the Seven Buildings Project (SBP), key participants said. This followed an undertaking to guarantee the loan by the City Upgrading Housing Trust, an offshoot of the CJP, which comprises business, community and local government sectors.

With the "red line" behind them, the project's advisers and tenant representatives are setting their sights on untying the red tape which restricts local and central government housing assistance programmes. In particular they hope to:

● Get the Johannesburg City Council to agree to charge residents of the seven buildings the same rates and service fees as home-owners in the suburbs. This could mean relief of a couple of hundred rands a month to individual households, said Monty Narsoo of Co-operative Education and Planning. Currently some buildings were levied on a commercial scale and the bill for rates and unmetered services amounted to as much as R350 a month per household.

● Lobby central government to broaden the scope of its existing housing subsidies to cover participants in co-operative and multi-dwelling schemes. The subsidies for first-time home-owners and the R7 500 grant available to low-income families through the Independent Development Trust could boost the purchasing power of many SBP participants.

Trevor Bailey of Legal Resources Centre said it was intolerable that rates and service structures created a situation where some of the city's poorest residents were subsidising wealthier sections of the community. A report on this issue would be tabled at a council meeting later this month and would include proposals on creating "zones of opportunity" within the city.

Bailey added that, critical though the utility issue was to many householders, the purchase would go ahead regardless of the council's decision. Precise terms of purchase had yet to be worked out, but agreement had been reached in principle on a price of R5,9 million for the seven buildings. Present owner David Gorfil said it was premature to comment on this.

Transfer of title would take place soon, Bailey said. Structures of ownership had still to be finalised, but in broad terms, they would be constituted either as a single shareblock scheme or separate shareblocks for each building.

Gladys Makone, a tenant of Margate Court, has sat through 14 months of negotiations. She is confident that ownership will make all the difference to residents improving their accommodation. But, she points out, Hillbrow is full of transients and this obliges the council to spruce up public places.

"We want to live in the city the way white people have been living here. It must be clean. The authorities don't care so much about the city now that it's housing black people," Makone says.

SA squeezed on foreign loans

(58) BD 4/2/93

From GRETA STEYN

SA's inability to roll over huge foreign loans in the last three months of 1992 brought the total capital outflow for the year to R6bn, Reserve Bank Governor Chris Stals said yesterday.

He said at a media briefing the capital outflow in the last quarter of 1992 had come to R3bn, reflecting negative foreign sentiment after the collapse of Codesa and the Boipatong and Bisho incidents.

SA would have been able to roll over the loans only at punitively high interest rates, which would damage the country's credit rating in future. In the first half of the year, SA had paid 1,5 percentage points above LIBOR (London Interbank Offered Rate) but this had increased to three percentage points in the second half.

It was SA's eighth consecutive year of capital outflow and brought the total amount that had left the country since 1985 to more than R40bn. The outflow was the same as in 1991 and equal to the annual average since 1985, when SA's international economic crisis was at its deepest.

The pressure on the capital account added to an already fragile balance of payments situation. Stals said the current account declined further in the fourth quarter, bringing the total surplus for the year to R4,5bn (from R7,5bn in 1991).

The main reason for the shrinking current account balance was the drought. The BoP problems translated into a R2bn shrinkage in the net foreign exchange reserves over a three-month period.

The economy suffered a double blow towards the end of last year, as the recession deepened while the BoP position worsened. Economists said a worsening BoP was usually a feature of upswings in the economy and SA's fragile BoP would cause difficulties in managing the upswing.

Stals said the rate of decline in real GDP had "gained momentum" in the last quarter of the year, bringing the total decline for the second half of the year to 5%. For the year as a whole, a real fall in GDP of about 2% was expected.

All components of expenditure had fallen during the year, even government consumption expenditure. There had been a 2%-3% decline in overall real fixed investment, a trend Stals described as particularly worrying. Savings had also declined to a historical low of 17% of GDP, from levels of about 25% when the economy was more robust.

"The decline in savings means SA has about R25bn less available to finance development. This is a major structural deficiency in the economy and the lack of domestic savings might cause SA in future to become too dependent on foreign finance."

He said employment in the non-agricultural sector of the economy had declined by 3% in the first half of 1992 (the latest figures available). Against this background, he said, it did not make sense that wages had continued to rise rapidly in real terms. The real remuneration per worker in the non-agricultural sector rose by more than 2% in the first half of 1992 after increasing by 1,4% in 1991 and 1,6% in 1990.

"This continued increase in labour costs of the business sector in the relatively depressed economic conditions probably contributed to the dismissal of a large number of workers in the private sector."

There was still pessimism in business on the prospects for the SA economy this year.

Banks poised to cut rates

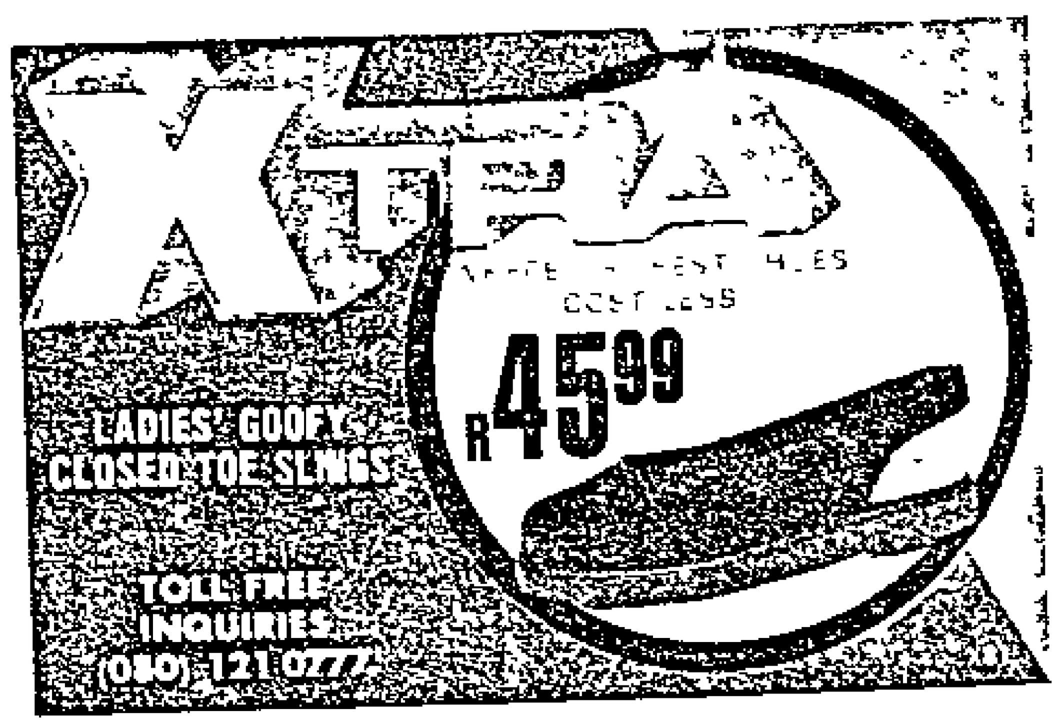
BANKS are poised to cut interest rates after Reserve Bank Governor Chris Stals gave a strong signal yesterday that he was about to reduce Bank rate.

He told a media briefing: "Some scope for a slight relaxation in monetary policy has now been created." However, all goals had not yet been reached, and the balance of payments situation "still leaves the country very vulnerable to unpredictable external shocks". Financial discipline would still have to be maintained this year.

Important monetary policy objectives had been achieved in the past three years. Policy had set out to create a more stable financial environment, and there was evidence this had been achieved. The rate of increase in bank credit had fallen from almost 30% in 1988 to below 10%, while money supply was expanding at a rate of 8,5% from 27,5% in the second half of 1988.

Inflationhad fallen below 10%. The soundness of the banking system had also been improved with the introduction of the Deposit-Taking Institutions Act.

The net foreign exchange reserves had improved from only a few hundred million rands in mid-1989 to more than R10bn. The exchange rate of the rand had been stabilised, with the currency depreciating over the past two years.



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(58) CT 5/2/93

Accident fund 'worse now': Govt acts

Political Staff

THE beleaguered vehicle accident fund, which has cost South Africa hundreds of millions of rands through poor administration, is to be fundamentally restructured.

Government officials said the fund was now worse off than when the Melamet commission of inquiry issued a damning report on it last year.

Legislation before Parliament would place the fund under the supervision of the Financial Services Board. But this was only a part of fund's restructuring, a senior transport department official said.

The Melamet investigation discovered that poor checking procedures had resulted in huge payouts from the fund, which was on the brink of bankruptcy last year.

At the time the Melamet report was released, outstanding claims worth about R2,4bn had been forwarded to the Multilateral Motor Vehicle Accidents Fund.

Some of the claims submitted and paid were apparently fraudulent, but the total amount had not been quantified.

Transport Department officials said yesterday the fund was in a worse position now than it had been last year.

Apart from the proposed takeover by the Financial Services Board, the make-up and functions of its executive were to be completely revised.

The procedure for checking whether claims were valid would probably also be adapted.

All those cases where apparently fraudulent claims had been made had been submitted to the Office for Serious Economic Offences.

Some prosecutions had been finalised.

Bank prefunds its maturing capital market bond (58)

TIM MARSLAND

THE Land Bank had prefunded its R1,156bn capital market bond which matures this month, a bank spokesman said yesterday. B/DAY

The bank had no plans to issue a new bond, but this would depend on marketing opportunites, he said. 5/2/93

The LB99, which matures on February 28, had been prefunded through the banks' existing bonds, he said.

The bank owed the capital market R4,2bn, but this would drop to R3,2bn once the LB99 was repaid.

Turnover from bank marketing activities for the current year was about R36bn. This had resulted in a reduction in finance charges of about R38m.

Reserve Bank figures showed the agricultural sector owed the Land Bank R10,780bn on December 31.

Short term lending dropped to R6,623bn at the end of December compared with R6,680bn in December 1991.

Overall lending rose by R140m because of an increase in mortgage loans to farmers. The bank had reserves of R848m at the end of 1991 which could also be used for financing, the spokesman said.

The bank did not borrow all its funding requirements as deposits by control boards and co-operatives were also utilised for financing purposes.

The spokesman said the Land Bank Act stipulated that the bank could not operate at a loss and it had to fix interest rates accordingly.

The bank grants farmers mortgage loans, charge loans and other advances for farming and related costs.

Advances to co-operatives made up the bulk of the short term loans.

The long dated LB01 bond ended at 14,635% compared with government's long dated R153 bond which ended at 14,680%.

Single digit interest rates likely — Keys

(58) CT 5/3/93

By AUDREY D'ANGELO
Business Editor

INFLATION is likely to stay in single figures, the Minister of Finance, Derek Keys, told a media briefing yesterday.

This means that "interest rates have plenty of room to come down. If we can hold inflation at this level for four months we can look forward to single digit interest rates."

But Keys said the budget deficit for the 1992/3 fiscal year would exceed 8% of gross domestic product (GDP), the previously published official estimate.

He said the deficit projection of R29bn was now headed above R30bn.

Keys said single digit interest rates would increase the level of investment in this country — vital for growth. There was always a correlation between interest rates and levels of fixed investment.

"We are in a position to do a lot of things that seemed out of our reach 12 months ago."

Growth could increase through both higher productivity and a higher level of investment.

"If people actually work together to improve wealth there is scope for a substantial increase in productivity."

But investment was the main source of growth. Fixed investment must be 15% of national income just to replace capital goods that were wearing out.

Fixed investment in SA had been going downhill since 1983 and was around 16% of national income which meant that only 1% was being spent on additional capacity.

This would have to rise to 26% to spend 11% on additional capacity. The most popular way of achieving this would be to cut Government expenditure, which had risen to its present 21% of national income from 10% in the 1950s.

In Korea government expenditure was 10% of national income and had never been higher, while its gross domestic investment was 39%.

"This Government has the will and the nous to reduce its expenditure," said Keys. It had already started a programme to do so.

All Government departments had been asked to cut personnel and improve productivity. They had been warned salaries would go up by no more than 5% in July and that taxes would go up.

It was important to ensure that, when a surge of confidence came, the Government had not borrowed so much that increased demand from the private sector sent capital market rates soaring.

Keys said that, once it had been realised inflation rates would stay in single digits, confidence would improve and there would be "much happier" forecasts from economists.

Economists had been surprised by the steep fall in inflation because they were still "psychologically in the 1980's".

But, Keys warned, "I don't expect the average person to feel better off at this stage. We have cleared the lumber that would prevent him, or her, from being better off in the future. In terms of improvement in per capita income I don't expect concrete results for some time."

Explaining why inflation had come down so quickly, Keys admitted: "Fundamentally, the state of economic activity was at an all-time low."

In spite of this he did not favour a Keynesian solution of creating jobs. "The record of radical action to create jobs is not good. There is no country in which employment is rising."

All State Budgets had an element of redistribution. But if this were overdone, removing the rewards of enterprise, it "castrated the entrepreneurial drive."

CODE OF CONDUCT FM 5/2/93.

A steep learning curve

The commercial & industrial division of the Institute of Estate Agents of SA has welcomed the new code of conduct for agents. It was gazetted on December 24, comes into effect on April 1, and places more stringent conditions on agents, both residential and commercial, to protect consumers *(Property* April 3).

These include: (58)

- ☐ Demanding more area-focused knowledge by estate agents to the point where they can be charged for failing to alert sellers or buyers to potential land use problems or freeway planning;
- ☐ Outlawing abuses relating to market value estimates for the sole purpose of obtaining sole mandates;
- ☐ Banning the deduction of commissions

FM 5/2/93.

from deposits prior to transfer being effected — unless buyer and seller have consented to this in a separate document; (58)

- ☐ Insisting that agents explain all the implications of the core provisions of sale and lease documents to clients;
- ☐ Fixing the expiry of a sole mandate to a date as opposed to the mere citing of a number of days; and
- ☐ Recommending that commission obligations, as well as the marketing efforts to be undertaken during the mandate period, should be fully explained to clients.

Seminars and guidelines

These are some of the main provisions applying equally to both commercial and residential agents, says Estate Agents Board manager Andrew Harrison. The board is preparing comprehensive guidelines on the interpretation and application of the code. These will be mailed to every estate agent by the end of February.

Institute commercial & industrial division chairman Max Braude, who is also MD of Johannesburg-based broker and developer Landmark, notes that "the code of conduct contains specific items which commercial and industrial agents will have to take cognisance of, for example, written permission has to be obtained for all to-let and for-sale boards.

"The code was arrived at after negotiation between the institute, acting on behalf of estate agents, and the board, acting on behalf of the consumer."

He adds: "Because commercial and industrial contracts more often than not involve either the buyer's or seller's attorney, agents will not only have to be fully conversant with the code of conduct for their own sakes, but will have to convey the new status to buyers and sellers as well as ensure that attorneys are *au fait* with it. Therefore, the institute, acting on behalf of all estate agents, is embarking on a series of seminars and education programmes to ensure that members act in accordance with it. The seminars will be open to the public." ■

FM 5/2/93 (58)

BUILDING SOCIETY

Looking for synergy

Fedsure, through life office Fedlife, is taking up R25m debentures in EP Building Society, the equivalent — if the society had shareholders' capital — of about a 31% interest For Fedsure it is a strategic move to increase penetration of general and mortgage banking. Fedsure has financial links with Investec Bank (which owns Provincial Building Society), Saambou, Fidelity Bank (30%) and Unibank (26%).

EP CE Trevor Jennings says the attraction for his society, which has an asset base of about R1bn — small in industry terms — is that it can have access to other institutions and so enter into larger developments.

The debentures, not convertible as long as EP remains a mutual, count as secondary capital.

Their issue is made possible by amendments to the Mutual Building Society Act expected to be legislated this month.

Jennings can't confirm the coupon yet but says it is linked to the mortgage rate. According to Fedsure, the rate "exceeds what we would get on government stock." Fedsure CEO Arnold Basserabie says the move is in line with the group's intention to broaden its financial services base and gain access to more clients. There has been a

FM 5/2/93 (58)

connection with EP for several years and in 1991 it became a shareholder in Fedgro unit trust.

Jennings says mutual societies have been in danger of being constrained by the Mutual Building Societies Act, which has effectively confined them to the home loans market. The expected legislation allows the Fedsure deal to provide EP with a sufficient capital base for expansion. Whether it will eventually demutualise remains unclear.

Says Jennings: "An attraction with Fedsure is it does not interfere while an organisation is performing well."

Inevitably, some EP redundancies took place this week.

With Fedsure now having so many building society and banking links, can the emergence of a mini-Absa be ruled out? ■

SA EAGLE FM 5|2|93 (58)

Remedial action pays off

As one of the last listed short-term insurers to pull its underwriting profit back into the black, the 1992 financial year has mostly been a period of consolidation for SA Eagle.

Earlier remedial action is starting to pay off. SA Eagle's policy of eliminating unprofitable business, mainly through rate adjustments, initially cost the insurer some business, but MD Peter Martin believes the quality of the book has improved.

This, with a lower claims experience —

FM 5|2|93 (58)

about 3% less relative to premiums, compared with 1991 — helped to restore underwriting profits from 1991's loss, and pushed up the interim's R946 000 surplus to the year-end's R11,2m.

That's a strong recovery, underscored by the 15,5% increase in investment income. Cash flows improved, says Martin, and last year's timely switch out of equities into gilts and cash have helped improve SA Eagle's solvency margin from 90,1% to 93,3%. The company calculates its ratio according to the international rather than local standard, but it's higher than the average for the short-term industry, which was 72% in 1991, the latest available.

Development costs for the Eagle 2 000 computer system, totalling around R40m, are near an end. Computer pre-commissioning expenses came to R1,5m in the 1992 financial year, compared to R4,2m the previous year. Martin says the system should be operational towards the year-end, which after initial retrenchment costs — the computer, sadly, is replacing about 250 people — will effect savings.

The good news for domestic policyholders is, barring an increase in crime and violence, rates should not increase much beyond the inflation rate and adjustments for an increase in Vat, and then only towards the last quarter of the year. Commercial fire rates seem overdue for an increase. Keen competition and what Martin calls "a few mavericks" have kept fire rates down, despite a sharp climb in the number of claims.

The share price has picked up strongly since November, now trading on a high of R45. That's R10 higher than when annual results were reviewed in April, though the yield has hardly changed and remains an undemanding 4,8%. The share probably has some way to go on the strength of these results.

Shaun Harris

Star 6/2/93

A home now more within reach

(58)

FALLING rates will make buying a house easier. But don't fall into the trap of buying more house than you can afford if rates should rise again, warns Property Editor MEG WILSON.

ALTHOUGH mortgage bond finance is still expensive for South Africans, in comparison with many other countries, home ownership is becoming more affordable — and home-owners can look forward to more declines in mortgage rates, if Reserve Bank Governor Dr Chris Stals's comments are anything to go by.

This week he said conditions were favourable for a relaxation of monetary policy.

A further decline soon in the Bank rate as well as all other lending rates is being predicted with confidence.

Several factors have contributed to making housing more affordable recently, not the least of which is the fact that the bond rate has fallen from peak of about 21 percent 18 months ago to 16,75 percent.

This has brought the monthly repayment on a 20-year, R100 000 bond down from R1 780 to R1 450, and that on a R200 000 bond to R2 900 from R3 560.

In addition, property developers have lately reacted to the depressed market by introducing the Good Address, Small Home concept. Duplexes, townhouses and cluster homes located in upmarket areas but designed and priced for first-time buyers are coming to the market in profusion.

They also meet a demand for increased security and smaller properties which are easier — and cheaper — to maintain.

Camdon's group managing director Scott McRae says the greatest benefits are really to be had from the affordability equation, which links bond repayments with income.

Most lending institutions insist that monthly bond repayments amount to no more than 25 percent of income, although this can now be based on a household's joint earnings.

"For example, the home-owner needing a R50 000 bond now needs a monthly salary (or combined income) of R2 900 a month to qualify. Eighteen months ago he would have needed to earn R3 660 a month.

"At the top end of the scale, the buyer needing a R200 000 bond would have needed an income of at least R14 240 to qualify, but now only requires R11 600 a month."

It is this factor, more than falling rates, which makes home ownership more accessible and which is likely to provide a market fillip.

But there is a danger: that buyers earning more than the required minimums will fall into the trap of purchasing more home than they can really afford.

They should be particularly mindful of this as Stals this week, almost as an aside, warned against the possibility of interest rates rising again. They need to bear in mind that there is no guarantee of bond rates continuing to decline, or even staying at current levels.

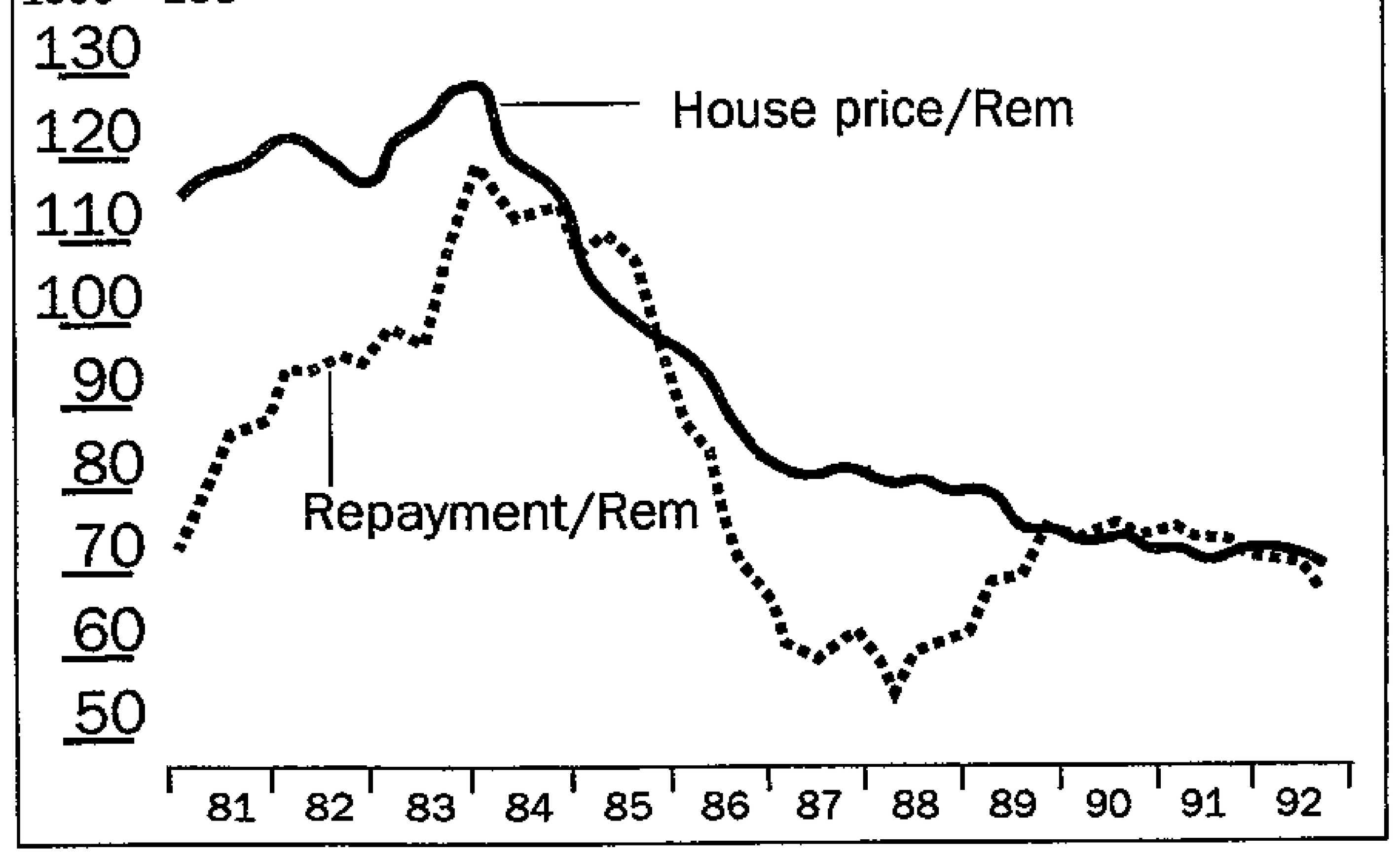
It is always wise to provide a "cushion" by calculating whether you can continue to meet bond repayments even if bond rates should happen to rise several percentage points.

If you have the money to spare right now, rather buy a less expensive house, take a smaller bond and use the extra cash to reduce the capital portion of your mortgage loan.

This will shorten your repayment period, and could save you tens of thousands of rands on the eventual cost of the house.

If you have a safe and steady job and consider your career prospects to be bright, buying a house now could turn out to be one of the best investments you'll ever make.

Affordability of housing
vs Gross remuneration levels



How pressure on your pocket has eased

20 Year Bond	R50 000	R100 000	R150 000	R200 000
21%	R890	R1 780	R2 670	R3 560
20%	R850	R1 700	R2 550	R3 400
19%	R815	R1 630	R2 445	R3 260
18%	R775	R1 550	R2 325	R3 100
16,75%	R725	R1 450	R2 175	R2 900

Bond package boosts credit line

FINANCE EDITOR

MORE South Africans are consolidating their financial position in order to achieve savings in interest charges and improve monthly cash flow, says Rob Walkerley, NBS senior general manager, operations.

"Financial consolidation through a home loan is proving extremely effective," he adds.

In June 1992, NBS launched a new mortgage-based financial package called Actionbond which allows qualifying home-owners to tailor a credit line based on the increasing value of their property. This means they have access to extra credit and not just the portion which has been repaid.

"Conventional mortgage access products give attention to the bond amount and outstanding balance, whereas Actionbond gives consideration to the equity accrued to a home-owner as a result of rising property values.

"Depending on personal circumstances, Actionbond gives home-owners access to up to 10 times their normal re-advance limit. For example, if a house was purchased in 1988 for R100 000 with a R90 000 NBS-registered bond — payable at 16,75 percent over 20 years — the amount available for re-advance four years later would be only R3 171 (ie, the capital repaid to date).

"However, with inflation the property has increased in value to R175 000, and with access to 90 percent of the accumulated equity in his property, the Actionbond client is now able to borrow R70 671 at the prevailing mortgage rate, which is up to 10 percent lower than normal instalment financing such as HP.

"The product offers a one-stop finance package specifically designed to allow borrowers to effectively manage their total financing situation through their home loan. Actionbond can be used to consolidate short to medium-term debts for home improvements, education, cars and furniture, and by refinancing these items at the prevailing mortgage rate (over the same period), borrowers will achieve real interest savings as well as improve their cash flow," he says.

When a home-owner requires a bond that is less than he qualifies for, NBS will register a higher bond based on the client's future financial potential and needs. Home-owners can then access up to 90 percent of the valuation as a handy line of credit.

"The balance of the bond will become available as the home-owner's earnings increase and property value appreciates."

New African trade bank (58)

Weekend Argus Africa Service

ARG 6/2/93

CAIRO. — The first African export-import bank has been established here five years after being mooted by Egypt.

Representatives from the African Development Bank, African bankers and economic and finance ministers of several countries met to establish the bank, which will have an initial capital of $500 million (about R1 500 million). The bank will operate from June.

Star 6/2/93

New fund promises spread

(58)

MAGNUS HEYSTEK

THE development of unit trusts in South Africa reached another milestone in its 26-year history with the launch of a new type of unit trust this week.

The UAL Managed Fund promises to provide investors with a spread of investment made up of equities, quoted property investments, gilts and cash deposits.

Its asset allocation will vary, depending on economic conditions.

It is likely to appeal to investors who would like a somewhat wider spread of investments than the traditional equity-based unit trusts offer.

Says Alistair Colquhoun, executive director of UAL Merchant Bank: "The UAL Investment Decision has assets worth about R17 billion under its administration.

"These assets are mainly those of pension and provident funds, which have always invested in a combination of equities, property gilts and cash."

While 48 percent of the UAL Managed Fund's initial portfolio will be made up of equities, 8 percent will be in property, 30 percent in gilts and 14 percent in cash and deposits.

It is expected that the fund's managers will lighten the holding of cash and deposits in favour of one or more of the other three sectors when they feel that conditions in these sectors are favourable.

The new fund will be marketed through independent financial intermediaries and branches of Nedbank, Syfrets and the Perm.

Says Peter Anschutz, managing director of UAL Investment Planning Services: "Our agents have perceived a very large demand for a managed type of fund."

Although the industry has many different types of unit trusts — permitting switching between funds — there is a large body of investors who do not want the responsibility of making changes in their portfolio, he says.

"The new fund is ideal for them."

Interest rate dip on cards

Star 6/2/93

FINANCE STAFF

TRACY Ledger of FNB's treasury department says there is a generally held belief among her banking colleagues that there will be a drop of 1 percentage point in interest rates before the end of the month.

Ledger was one of the speakers at The Star FNB Investors' Club meetings held earlier this week.

But she cautioned that Reserve Bank Governor Chris Stals would not jeopardise long-term economic growth for a short-term solution. Large reductions in interest rates in an effort to boost the economy were unlikely.

"Stals has gone on record that his main aim is to establish a framework on which future economic growth can be based."

Ledger explained that this framework must incorporate the following:

- Managing money creation, and the amount of credit available.
- Maintaining positive real interest rates, as these encourage savings and generate investment.
- Controlling increases in total bank credit.
- Increasing reserves to equal three months' imports.
- Maintaining a stable and effective exchange rate.
- Developing a sound financial infrastructure with a low level of inflation.

And you can't assume interest rates must be cut because inflation is down. "Put simplistically, high interest rates are a deterrent to borrowing, which means that spending slows down, and the whole economy slows down," she said.

"This in turn brings down the CPI (consumer price index). Food prices comprise about 30 percent of the CPI basket. Recently there have been very good declines in food inflation. If the drought ends and deregulation of control boards continues, it will bring down the price of food considerably.

"But should the CPI fall further, the scenario for further reductions in interest rates looks more promising," she added.

definition TV in Tokyo. The screen is said to
...nt more contrast than previous models —
...000 yen (R29 000).

Bank to boost African trade

ARG 6/2/93

CAIRO. — African central and commercial banks have agreed plans to set up an import-export bank with capital of R1,5 billion to boost trade within the continent and with the rest of the world.

"An understanding was reached during the meeting concerning a new bank — the African Export-Import Bank (Afreximbank) — to be created to finance and facilitate trade among African states and with the rest of the world," the project's main sponsor, the African Development Bank (ADB), announced.

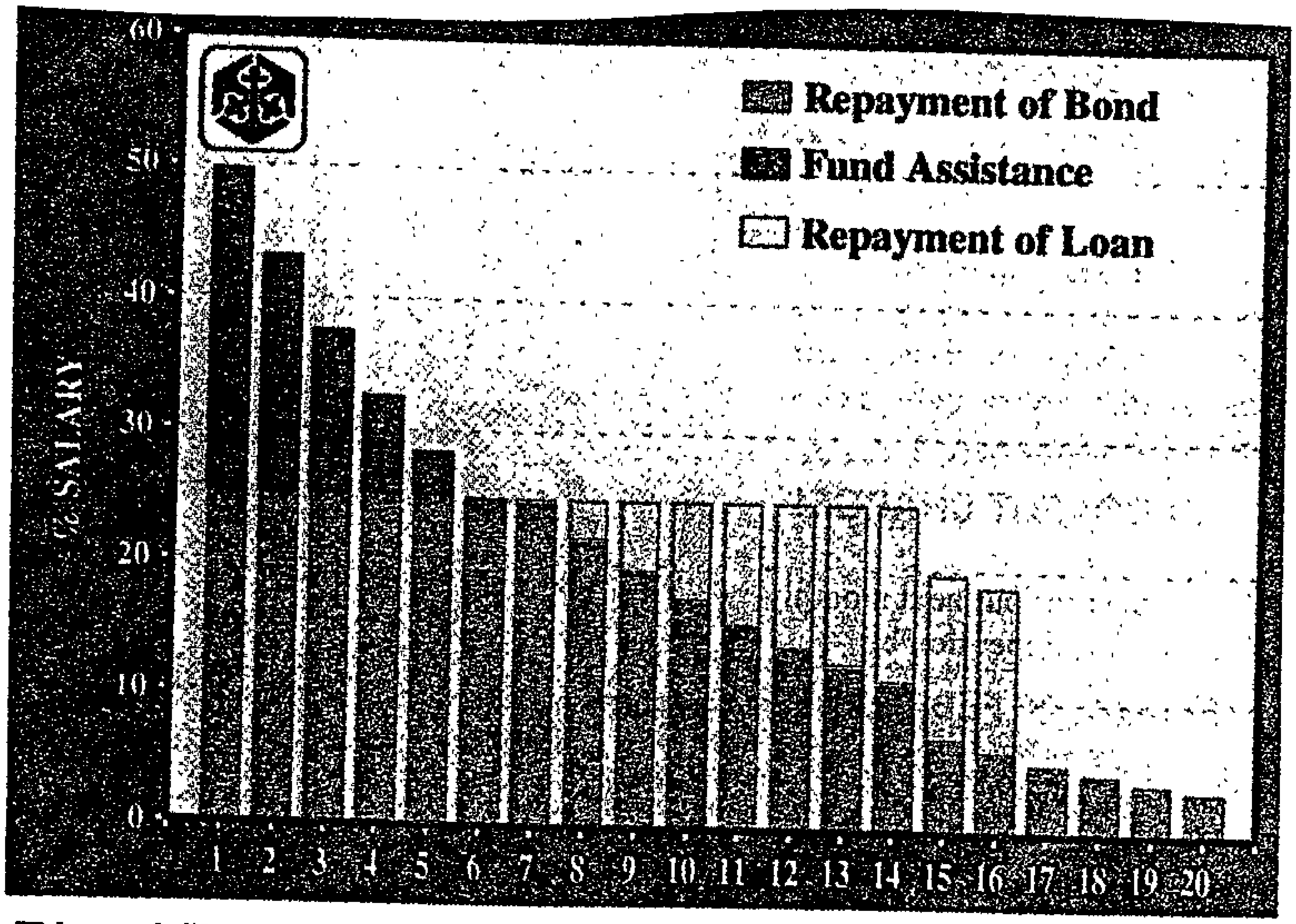
Afreximbank aims to help exporters hamstrung by Africa's weak commercial banking network and the high cost of financing trade through banks outside the continent.

A two-day meeting in Cairo of African central and commercial banks and ministers gave no date for establishing the bank but agreed to set up a 12-member committee to finalise details.

"There is a genuine institutional and financial gap in Africa's trading framework to be addressed by the establishment of the Afreximbank," an ADB official said.

Afreximbank aims to increase official intra-African trade from its present low level of nearly five percent of the continent's total trading volume to about 20 percent over the next few years, ADB officials said.

One aim is to promote non-traditional exports to complement the commodities Africa already supplies to industrial nations. — Sapa-Reuter.



This graph illustrates how borrowing from pension fund capital eases the burden of repaying a home loan.

New way to finance a house

SOUTH 6/2 - 10/2/93. 58

AN INGENIOUS scheme which uses pension fund capital to finance housing was announced by Old Mutual last week.

The scheme is intended to reduce the present housing backlog by making it easier for wage earners to become homeowners.

Buyers participating in the scheme are able to borrow pension fund money to subsidise their bond repayments for the first five years of home ownership. This will keep their monthly repayment down to 25 percent of their salary.

Thereafter, the bond repayments fall below 25 percent of the buyer's salary. However, the buyer will continue to spend the same amount each month. The money which is not owed in bond repayments will be used to repay the pension fund.

Old Mutual assistant general manager Mr Henk Beets said by keeping monthly payments down to 25 percent of the buyer's salary, the scheme would make home ownership more affordable than before.

The scheme spreads the burden of repayment over a longer period than normal, and levels the high cost of the first few years of bond repayments.

The repayments will be structured in such a way that they will have been paid in full by the time the homeowner retires. With the retirement fund restored to its original level, the homeowner will not lose out on any pension benefits.

The scheme is in line with the Mouton Commission's recommendation that a single vehicle be used for provident funds and the provision of housing, Beets said.

The scheme was intended to offset the acute housing crisis.

Beets said the larger South African cities are typical of the "exploding cities" of the Third World. To house even half of the people who are presently homeless by the year 2 000 would involve building nearly 200 000 housing units a year.

The cost would be R43 billion for housing, which excludes the cost of roads, water supply, electricity network and other services.

One way of helping to meet these costs is to make it easier for people to buy their own homes.

Tuesday February 2 quotations for unit trusts:

General Equity Funds:

ABSA	141,86	132,71	5,57
BOE Growth	155,38	145,16	3,49
Community Growth Fund	109,87	103,72	n/a
Fedgro	125,26	116,95	4,91
CU Growth	116,15	108,44	4,38
Guardbank Growth	2470,12	2299,71	4,87
IGI	130,64	122,41	3,50
Momentum	240,78	225,40	4,41
Metfund	192,12	179,26	4,2
Metlife	118,71	110,93	7,12
NBS Hallmark	954,43	891,34	5,12
Norwich	352,68	329,34	4,07
Old Mutual Investors	2625,59	2448,05	3,65
Sage	2377,44	2218,71	4,08
Sanlam	1636,63	1532,6	3,38
Sanlam Index	1215,58	1138,83	3,98
Sanlam Dividend	456,24	427,88	4,70
Southern Equity	203,85	190,67	3,98
Standard	1171,28	1100,43	7,06
Syfrets Growth	296,40	277,58	4,42
Syfrets Trustee	119,79	112,20	4,43
UAL	2070,30	1944,14	5,19

Specialist equity Funds:

ABSA Industrial	132,86	124,29	4,25
Guardbank Resources	129,84	120,96	6,48
Guardbank Industrial	125,76	117,93	5,79
Sage Resources	98,46	92,12	6,19
Sanlam Industrial	1059,81	991,83	3,24
Sanlam Mining	241,04	225,76	5,36
Southern Mining	118,29	110,81	4,59
Southern Pure	122,55	114,69	n/a
Standard Gold	134,84	126,31	7,77
Standard Industrial	109,81	103,53	5,10
Standard International	102,32	95,67	3,31
UAL Mining and Resources	329,94	309,17	4,63
UAL Selected Opportunities	1964,40	1838,13	3,71
Old Mutual Mining	220,24	205,05	4,60
Old Mutual Industrial	363,38	338,53	4,04
Old Mutual Gold Fund	84,46	78,68	6,46
Old Mutual Top Companies	243,62	227,11	4,57

Income/Gilt Funds:

Metboard Income	111,55	110,37	12,59
Guardbank Income	119,73	117,28	14,40
Old Mutual Income	111,28	110,06	12,43
Southern Income Fund	522,28	511,83	n/a
Standard Income	93,71	92,73	13,40
Syfrets Income	109,74	108,64	14,11
Syfrets Gilt	1107,07	1096,00	n/a
UAL Gilt	1229,99	1217,69	12,73

SOWT 6/2 - 10/2/93

Life Assurance can be tailor-made to suit your individual needs

58

Making sense of the financial options that are available today is indeed a puzzle for most people. With so many available, where do you start?

In this series of articles we will introduce the different kinds of life assurance options available to you.

The most important function of Life Assurance companies is to provide the community with protection against various risks and, at the same time, to encourage inflation-beating investment returns.

The investments made on behalf of policyholders are mainly in fixed property such as office blocks and shopping centres and company-listed shares on the Stock Exchange, with a certain percentage held in cash to meet future liabilities from claims.

It is the life assurers' main duty to ensure that they will be able to pay out their liabilities; these are the claims that will become due for payment to policyholders or their dependants.

As with other financial institutions, life assurers are subject to regulation, in this case the Insurance Act, controlled by the Registrar of Insurance. The way in which business is conducted is further self regulated by the Life Offices Association (LOA).

The law requires that life assurers, and registered funds e.g. pension funds, invest their funds according to laid down "prudent investment guidelines". These guidelines regulate the percentage of the investment which is held in cash, shares and property.

Prudent investment guidelines protect life assurers themselves and their policyholders or fund members to ensure that their money is safe.

There are two types of life assurance companies. The way they invest and their individual investment performance can affect the end value of your investment.

Firstly there is the public company, into which investors can buy shares without being policyholders, and which must perform to set financial objectives in order to meet shareholders' expectations. These shareholders are paid a dividend out of company profits.

These profits, after the shareholders' interest have been met, are then used to pay the policy holder bonuses.

A mutual society such as Old Mutual, on the other hand, exists purely and simply for the benefit of its policyholders. All profits, after expenses and taxes have been met, are distributed among policyholders and their dependants.

In other words, a mutual society manages money entrusted to it by their clients benefit and there are no outside shareholders. The society has no money of its own: it simply manages other people's money, like a giant stokvel or investment club.

In addition, it helps to fuel the economy while generating a return on investment that has the potential to outstrip inflation by far.

How does Life Assurance come about?

Insurance is based on the principle of risk sharing. It was started about 5 000 years ago by Chinese merchants. In order to reduce risk, cargo was distributed among the merchants, so if one ship was sunk only a portion of the cargo was lost.

Today the principle is much the same. The life assurance companies underwrite individual risk, and policies and premiums are worked out by people called actuaries.The life assurance company's main business involves managing policyholders' money in order to realise profit on their investment, and so maximise their payouts.

DEPOSIT FREE HOMES!

Suppl. to C/Press 7/2/93 (58)

— More than R4-billion available

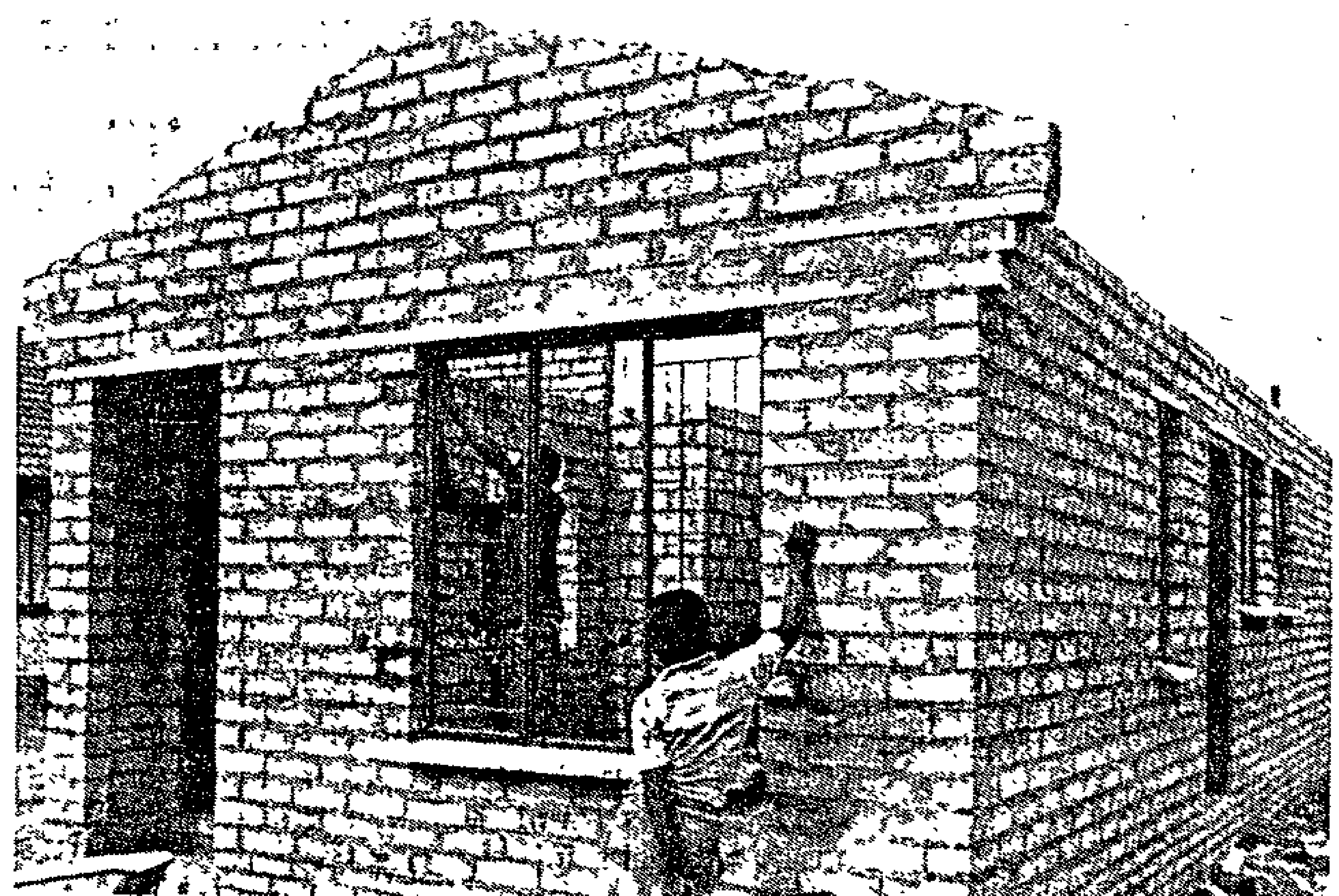
More than a million families will be able to build homes without paying a deposit. The government has approved an Old Mutual/Urban Foundation housing scheme.

The idea was put forward by the foundation more than two years ago. Although approved by the Government at the time, it will only become effective from this month.

It is expected that more than R4-billion will be available to fund the deposits for low-cost housing. This amounts to about five percent of all savings in pension and provident funds.

First time home-owners will be able to get a government subsidy. The subsidy pays one third of the interest on the first five years of the bond.

Township developers will have to find a way of building decent homes for a maximum of R45 000.



With no deposit needed, more people will be able to build homes.

Old Mutual say that the four big insurance companies together have more than one million contributors who will qualify for the scheme immediately. These are people who are fully employed and have contributed to a pension or provident fund for at least three years.

A spokesman said: "They are borrowing back their own money."

Financial institutions are unwilling to lend money to people for the following reasons: Many people cannot afford a 20 percent deposit. Their repayments would be more than 25 percent of their salary. It is difficult to save up enough money for a 20 percent deposit. The spokesman said: "This scheme protects everyone. The financial institutions will have no excuse for **red-lining** any properties."

The owner will also be able to transfer the scheme to a new pension fund if he changes jobs. If he cannot make his payments and the house is sold, he will be entitled to any profit.

DICTIONARY

Financial institutions: banks or companies who deal with money.

Red-lining: no loans are granted for housing in certain areas.

Living Annuity beats capital drain

SI Times (B455) (58) 7/2/93.

By JULIE WALKER

SAGE Life's Living Annuity has been designed to overcome two major drawbacks facing pensioners at retirement — being locked into a fixed pension rate for life and retirement payments stopping at death.

Senior manager of marketing at Sage Life, Michael Belling, says Living Annuity's benefits include a flexible annuity income adjustable yearly to meet your changing needs. This removes any problem that might arise should you retire when rates are low.

The balance of your capital is also secured for your beneficiaries when you die without costing extra. Previously a substantial premium was payable to preserve your capital for your family.

Inflation

The third feature of Living Annuity is investment flexibility. Your retirement funds can be spread over one or more from eight Sage Life portfolios covering the investment field from guaranteed conservative to market-related risks.

If you retire when interest rates are low and they rise to a high level, you can take advantage of these rates by converting to a standard fixed annuity.

Obviously, the lower the monthly annuity you select, the higher the portion of your retirement annuity available for your own investment account.

At retirement, your company pension fund might furnish enough to live on initially, but might not increase in keeping with inflation. In other words, you can manage at that level for a few years, but would like to know you were preparing for the demands of a long retirement.

MICHAEL BELLING

For tax planning purposes and because Living Annuity offers the option of building up the annuity in a flexible way, it could be highly advantageous to take a small annuity in the early years of your retirement.

Youth swopping piggy banks for ATMs

ST Times (Buss) 7/2/93.

TECHNOLOGICAL advancement, through the introduction of ATMs, has enabled the banks to crack open children's piggy-banks and develop a lucrative new market.

Competition among the financial institutions in the junior or youth market has become fierce, resulting in virtually every bank marketing youth ATM savings products with special incentives in order to secure a piece of the multi-million rand pie.

Market research shows that the metropolitan segment of the youth market exceeds R1-m.

First National Bank, the first and largest player in the field, has over 500 000 junior account holders. FNB's Pat Lamont, assistant GM, says research by the bank shows that account-holders starting with FNB as children or teenagers tend to remain with the bank as they move into adulthood.

From the bank's point of view, Lamont feels that this is the underlying attraction of the market· "FNB considers the youth market very important, believing that today's youths are tomorrow's corporate leaders."

He adds that the market has become highly developed, with products aimed at different segments from birth through to the early teens and eventually young adulthood.

FNB currently markets two products — 0 to 12 years of age and teens from 13 to 18 years — each of which are specially designed in physical appearance and product features to appeal to the different market.

Lamont notes that the "T" in BOB-T could by symbolic for "teen", "top", "trendy" and so forth.

He regards the introduction of youth banking as a natural extension of the education process in today's sophisticated age. Benefits for children include money management training, responsible awareness of money and its safe keeping.

Lamont adds that the process of banking also presses home, at an early age, the value of saving and the benefit of compound earnings growth.

Encourage

Perm GM Dave Harrison says that the sooner children start to save the better: "It encourages the discipline of keeping money for a rainy day or something special."

He adds that saving through a financial institution also educates children with the use of ATMs, thereby preparing them for life when confronted with more sophisticated personal financial management.

The youth products currently available on the market offer transaction-free facilities, normally up to the age of 18. Some of them also offer slightly higher interest savings rates and do not require a "minimum balance" on deposit.

Old Mutual manager strategic marketing Mr LD van Vuuren says the "young market" would also include people in the 18 to 34 age category.

He also points out the need to invest at an early age: "If you save R2 000 a year at a 15% return from age 23 to 27 you will have accumulated more money at age 65 than someone who saves R2 000 every year at the same return from the age of 28 until he or she turns 65."

PROPER PLANNING IS VITAL FOR A SECURE FINANCIAL FUTURE

S Times (Buss) 7/2/93

FINANCIAL advisers agree that inflation and the resulting devaluation of money has become the prime driving force behind investment.

The need for suitable investment avenues has resulted in phenomenal growth in the assets under management of the life assurance and unit trust industries.

Furthermore, the old style insurance salesman has become a highly qualified "financial adviser" to assist the public through the labyrinth of complex products now available on the market.

Financial advisers warn, however, that the return on an investment is only one of many factors to be taken into consideration when creating an investment portfolio: "Investments offering huge returns are not necessarily ideal for every individual, each situation is unique depending on the person's financial resources and liabilities."

Risk

Gary McCreesh, Nedcor Bank's personal financial planning general manager, says that proper planning is the most important step to be taken by a prospective investor.

This would involve looking at the short, medium and long-term needs of the individual relative to his immediate risk areas. The risk/reward ratio would therefore be determined by the term of the investment. As a general rule of thumb, the higher the return on an investment, the greater the risk involved.

In this sense, McCreesh says he would recommend against clients investing in equities to meet a short-term objective: "On the other hand, if the client has a 20-year objective, even if inflation drops below double digits, fixed interest investments would be unsuitable and the financial planner would look to some real growth areas such as equities and property."

Bernie Goldman, GM individual life of Fedlife, adds that in determining their needs, investors should consider the following issues:

- What are your current financial and domestic commitments?
- Where do you want to be in 10 or in 20 years from now?
- What sort of financial security would you need for retirement?

Goldman suggests that a list should be drawn up of the individual's existing insurances and investments to establish areas which do not meet up to his objectives.

SUGGESTED PERSONAL INVESTMENT PLANNING

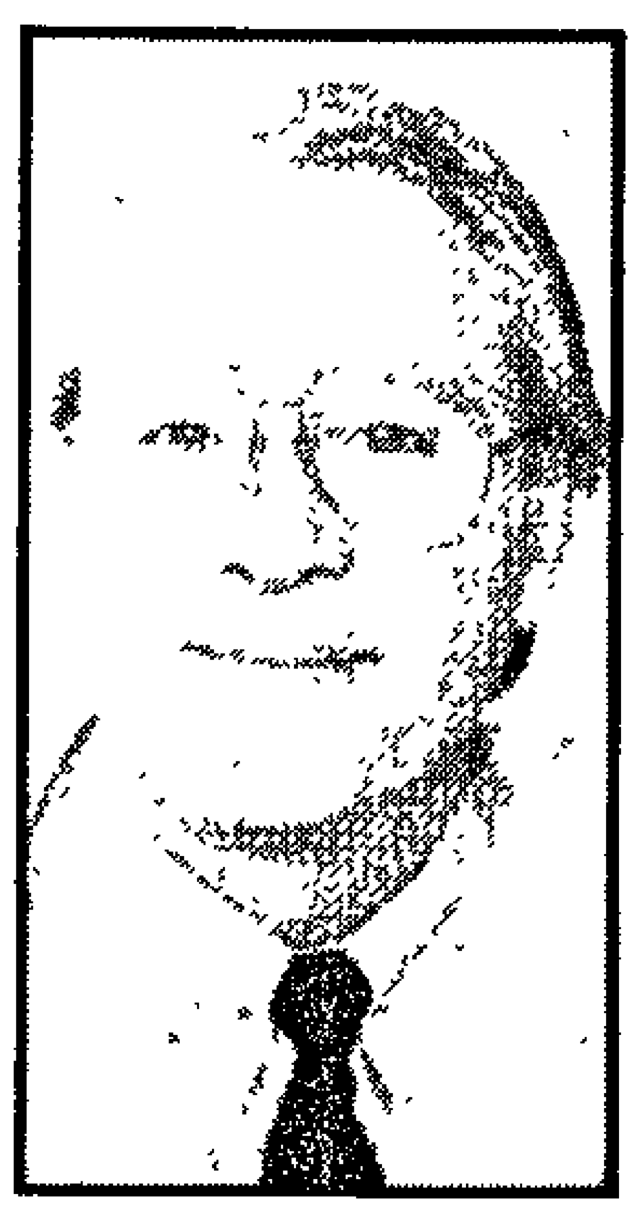
IMMEDIATE AND EMERGENCY NEEDS	SHORT	MEDIUM	LONG
Bankers' Acceptances	Fixed Deposits	Business Finance	Business Finance
Call Accounts	Notice Deposits	Home Loans	Property including Home Loans
Cheque Accounts	Optimum	Participation Bonds	Unit Trusts
Credit Cards	Savings Accounts	Personal Asset Finance	Deferred Compensation
Negotiable Certificates of Deposit	Transmission Accounts	Unit Trusts	Endowment Assurance
Notice Deposits	Estate Planning	Deferred Compensation	Property Syndications
Savings Accounts	Exchequer Bonds (Post Office)	Endowment Assurance	Pension Funds
Accident Insurance	Treasury Bonds	Estate Planning	Provident Funds
Disability Insurance		Retirement Annuities	Retirement Annuities
Health & Medical Insurance			Shares (Portfolio Administration)
Income Protection			
Job Loss Protection			
Life Insurance			
Tax Planning			

SOURCE: Nedcor.

Birth

He adds that this would include short to medium-term cash requirements for marriage, the birth of children and education, while allocation should also be made for medical expenses, death and disability insurance, short-term insurance and provision for retirement.

Standard Trust MD Trevor Beeton emphasises the importance of identifying an individual's risk profile: "It's crucial that the person's basic needs are covered first, namely adequate insurance and the drawing up of a valid will in order to protect his assets before one should concentrate on growing these assets."



GARY McCREESH

Beeton says the choice of investment would also depend on whether the individual expects to draw an income from his investment or if he planned to reinvest for long-term capital growth. This would also be affected by whether the client planned to invest on a monthly basis or a once-off lump sum.

Furthermore, he adds that the investment package should take into account the effect of taxation and be flexible enough to work around future legislative changes.

The financial advisors say that there are a host of managed inflation-beating investment options available which have been designed for the man-on-the-street. The most popular would include unit trusts, retirement annuities and endowment policies. However, they note that each product serves a different need.

Retirement annuities (RAs), although providing an excellent return over the long-term, particularly when taking into account the tax benefits, are the least flexible in that the funds invested cannot be accessed until age 55 — at which stage a tax free 33% lump sum is payable, while the remainder is paid out and taxed as monthly income. An RA is normally used to "top up" pension fund income for after-retirement.

The financial advisers say endowment policies, which have to be taken out for a period of at least five years, and unit trusts, are ideal investments to meet medium-term commitments or cash outlays such as a planned holiday or a child's university expenses.

Beeton notes that unit trusts can also be used to meet long-term objectives, such as retirement planning, but he warns that the easy access to the funds invested can prove too tempting for most people to resist: "For the average person it is too easy to dip into these funds to meet short-term problems and in the process jeopardise their retirement provision."

As a result, he says it is important that investors establish a balanced portfolio, probably including RAs, unit trust investments and cash-on-hand to meet unexpected expenses.

Return

Beeton felt, however, that an investment in unit trusts would outperform most other investments over the medium to long-term.

Unit sales for the year past would seem to confirm Beeton's opinion.

The Association of Unit Trusts (AUT) disclosed that almost R2,5-bn in new money was invested by the public in unit trusts during 1992. Of this, roughly 80% was invested in general equity trusts despite a fairly poor performance from the equity market.

AUT chairman Clive Turner expects unit trusts will continue to provide a real return for investors in the year ahead: "Unit trusts are an ideal vehicle through which the public can benefit from high performing quality equities."

Bankers uneasy about SA

By ZILLA EFRAT

EUROPEAN bankers have a more favourable perception of Botswana as an investment environment than they do of South Africa.

This is a key finding of a poll of 41 leading banks in London, Frankfurt and Zurich with exposure to southern Africa.

The poll, undertaken in January by the Shandwick international public relations group, found that the perception of SA's future political stability was the major factor affecting SA's ability to attract foreign investment.

Shandwick Europe's managing director Volker Stoltz says it pointed to the need for SA to market itself better abroad.

None of the seven southern African countries examined were seen as extremely good investment environments.

On a scale from 1, representing "extremely good", to 6, being "extremely bad", SA scored 3,5 while Botswana was rated 3,4. Angola and Mozambique scored the most poorly at 5,5.

Mr Stoltz says British bankers are more optimistic about the futures of SA and Botswana than they are about their present situations.

When looking at a five-year horizon, SA's rating from City bankers improved to 2,9, while Botswana's was better at 2,7.

German and Swiss bankers, however, are more pessimistic. Both SA and Botswana are rated 3,9 over the next five years.

Some 74% of the bankers rate SA as a moderate investment risk at present, with 22% describing the risk as high. Only 4% see the risk as low or extremely low.

ST 3/2/92 SA

PERSONAL FINANCIAL PLANNING

Invest now for rocketing education fees

S Times (B455) 7/2/93 (58)

THE EDUCATION cost crisis, which began with the government's decision in the 1980s to reduce subsidisation of universities, has been further aggravated by the new schooling system introduced last year.

The bottom-line is the government has shifted the financial responsibility of education almost entirely to parents which the experts believe will become a major cost factor in personal budgets in the years ahead.

As a result, they expect parents will have to start investing for their children's education within a year or two of birth.

A survey of Model C high schools in the Johannesburg area shows that fees have escalated from between 50% to 100% while university fees have continued to rise above the inflation rate.

Southern Life's director life division, Chris Liddle, notes that the schools are now being run as businesses: "If university fees are anything to go on, one can expect school fees to continue to increase ahead of the inflation rate for the immediate future.

"Education is going to consume an even larger portion of the family budget in years to come."

Karin Bernstein, of legal and technical marketing at Liberty Life shares this view. "Whatever the future may hold, education at school, technikon or university is going to cost substantial sums."

CHRIS LIDDLE: Schools being run as businesses

Bernstein points out that the average cost of a four-year degree is expected to increase from the current R24 000 a year to R93 000 within the next 10 years.

Liddle says parents have, in the past, saved only for their children's tertiary education. "This situation will start to change as parents find it increasingly difficult to meet school fees from current income."

Endowment policies have traditionally served as the means which parents have saved for a child's university education. However, Liddle notes that saving this way for high school education would present a problem in that endowment policies presently carry a minimum maturity date of 10 years.

To fund a high school education, this would require an investment before the child turns three: "The scope for using endowment policies is therefore limited as parents do not always appreciate the need to save for education while their children are still young."

He adds, however, that unit trusts are sufficiently flexible and provide a high level of liquidity, making them ideal as a means of education funding.

Contributions paid into a unit trust can be suspended or continued depending on an individual's circumstances. Investments can also be made on a monthly basis or in the form of a lump sum, Liddle says.

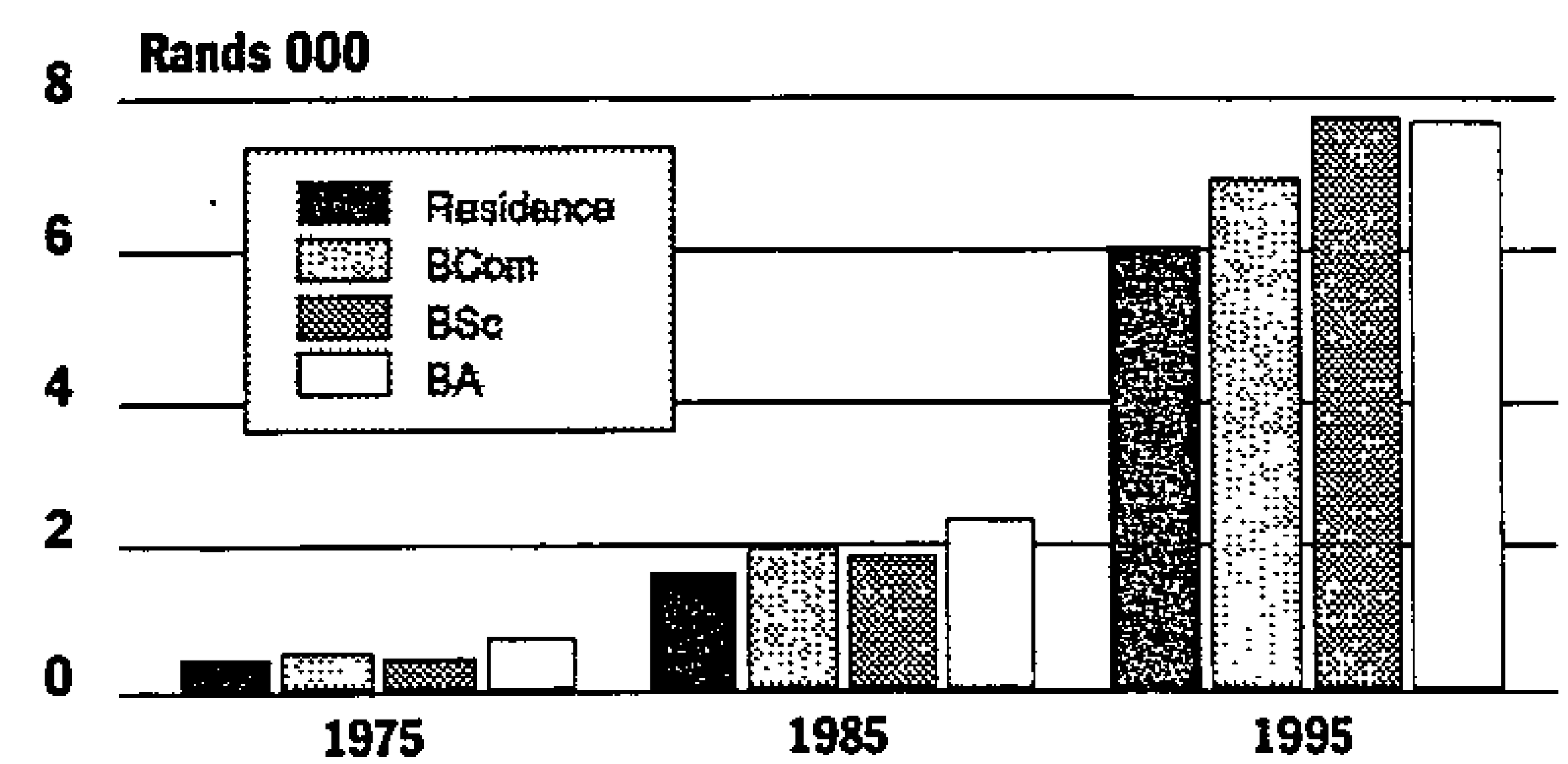
"If a grandparent should want to invest a sum for a child's future education, this can easily be added to the unit trust investment."

Although unit trusts would seem to be the answer to education funding, Liddle cautions that parents should also have adequate life and disability cover to ensure against any tragedy which could jeopardise the child's future.

Furthermore, changes to the Income Tax Act, which are expected to come through this year, could result in the minimum investment period on endowment policies being reduced to a five years.

This would increase the attractiveness of endowment policies for education funding purposes.

THE ESCALATING COST OF EDUCATION
Annual university fees 1975 - 1995



SOURCE: NEDCOR BANK

PLANNING FOR EDUCATION IS JUST ONE ASPECT OF YOUR OVERALL FINANCIAL PLAN

YOUR CHILD IS NOW	YOU WILL NEED	IN YEARS' TIME
Newborn	111 000	18
1	96 540	17
2	83 940	16
3	72 990	15
4	63 480	14
5	55 200	13
6	48 000	12
7	41 730	11
8	36 300	10
9	31 560	9
10	27 450	8
11	23 850	7
12	20 760	6
13	18 030	5

(For a 3-year course, based on 1989/90 fees @ 15%). Source: Nedcor.

Some insurers car shy

S Times (Buss) 7/2/93.

By DON ROBERTSON

SEVERAL short-term insurance companies appear to have taken a definite decision to price themselves out of certain segments of the passenger car market.

The high incidence of theft, particularly in the PWV area, has made it impossible for some companies to profitably insure certain vehicles.

For this reason, new car owners are advised to shop around for insurance.

David Hersch, managing director of Compuquote, which provides information on insurance, finance and medical aid matters, says some of the monthly premiums quoted on comprehensive insurance for vehicles make it obvious companies are not interested in this business.

(58)

Mr Hersch believes that in these instances, they should not bother to quote.

For example, the monthly premium quoted by firms on the top-selling BMW 316i ranges from R1 000,22 (Mutual & Federal) to R307,11 (Heritage Autoclub).

The industry average is R604,80. SA Eagle slots into the middle of the range with a monthly premium of R646.

For a Toyota Corolla 1,6GL Mutual & Federal is again the most expensive at R590,16, and Fringecor the cheapest at R248,44. The industry average is R394,23 and SA Eagle offers a price of R416.

Some companies will offer a quote on the vehicle only if it is supported by a householder's policy. This represents a substantial difference in some of the quotes. The Mutual & Federal quote supported by a householder's policy drops to R746,54 on the BMW and R440,49 on the Corolla.

Mr Hersch believes insurance premiums are unlikely to increase to any major extent this year, having more than doubled in the past two years.

New breed of financial advisers

S Times (Buss) 7/2/93 ·

THE range and sophistication of investment and insurance products launched on the market over recent years has resulted in the old-style "door-to-door" insurance salesman becoming a dying breed.

Institute of Life and Pension Advisers (Ilpa) director, Trevor Labaschagne, says a new wave of financial advisers has emerged from the market, individuals skilled in the broad spectrum of financial affairs: "The modern adviser can now provide clients with a full service including income tax, short and long-term insurance and investments based on individual requirements."

Labaschagne notes that the public cannot afford to entrust its financial future, often the life savings of many years' hard work, to individuals without adequate training in the field.

In addition, each person's financial requirements differ depending on their particular circumstances which in turn require tailor-made solutions, he adds.

In this sense, Labaschagne says Ilpa was formed to protect the public against ignorant or unscrupulous operators.

He adds that members of Ilpa undergo stringent examinations in the personal financial planning field before being admitted. The institute also upholds a code of conduct which, if violated, would result in disciplinary action against any member.

Most Ilpa members also carry professional indemnity insurance cover, offering clients added protection.

With more than 45 000 insurance salesmen operating in SA, Labaschagne suggests that people should consider the following points before signing their names to any contractual agreement:

- Look for the Ilpa initials on the calling card of the adviser or call the institute to check if he is a member.
- Does the adviser have professional indemnity cover?
- Are you being sold a tailor-made plan or an off-the-shelf product?
- Has the downside been explained to you as fully as the upside?
- Has the adviser consulted the necessary experts?
- Are you getting roundabout "jargonised" answers to straightfoward questions?

Labaschagne notes that if an adviser cannot explain or justify a particular product, "then he shouldn't be selling it" He adds that the adviser has to establish a workable solution to a client's problem and explain it in a jargon-free manner that both the problem and solution are clearly understood.

Peter Klopper, executive director of the SA Insurance Brokers Association (Saiba), notes that there is a clear distinction between an insurance "broker" and an "agent".

A broker acts as an independent intermediary whereas an agent markets exclusively a particular life assurance company's products: "The distinguishing feature of the insurance broker as a financial adviser is that he is not bound to any one life office and is therefore in a position to offer his client a free choice of all products available on the market."

A market survey recently conducted by Sanlam indicated that roughly 67% of professional people prefer dealing with a broker when planning their financial affairs. 58

The survey also showed that the majority of people required a comprehensive service including life assurance, short-term insurance, investment advice and assistance in the drawing up of wills.

Brokers account for about 50% of life insurance business written.

Klopper notes that a broker's independence allows him to draw up a specific plan, incorporating various products from different financial institutions, to accommodate a client's needs: "In view of the competitive nature of the financial services field, the financial adviser of the '90s has to be a thorough professional.

"Not only must he keep abreast of new products being launched, he also has to have a sound knowledge of the Income Tax Act and other legislation to ensure that his client enjoys the most tax effective benefit."

Klopper says that members of Saiba are also subject to a strict conduct code: "Any infringement of the code which is reported to the association is investigated by an independent disciplinary body."

Exemption from mass action

Perm makes pact with civic group

(58)

BIDAY 8/2/93.

DIRK HARTFORD

NEDCOR's Perm division and the SA National Civic Organisation (Sanco) signed a historic "compact" agreement yesterday which effectively excluded the Perm from mass action such as bond boycotts.

At the same time it put in place joint plans for education, job creation and training and development programmes in the townships.

The deal, which has Nedcor's full backing, was hailed by ANC economics spokesman Trevor Manuel as a breakthrough at a time when there was little "socially desirable investment" going on.

Manuel urged the Perm to get other financial institutions "on board" and to understand the substantial contribution they had to make in post-apartheid reconstruction.

He also challenged Sanco to attract more investment to the townships by sending "signals" that would not negatively affect potential investments for job creation and housing.

His remarks follow warnings by Sanco president Moses Mayekiso that there could be nationalisation under a new government if the banks "remained intransigent".

Mayekiso also announced that Sanco's lawyers were drafting a law against bank "redlining" — refusing loans in certain areas — which a new government would be expected to enact.

He said threats by civic and ANC leaders to renegotiate loans used to "sustain repression" under a new government were because "we want to cure the present cancerous link between the Council of SA Banks and the regime".

Mayekiso said the pact was an essential element in the type of reconstruction accord Cosatu and the civics wanted.

Although most banks are refusing to hold discussions with Sanco, secret talks between Sanco and several financial institutions which are heavily exposed in the townships are continuing.

However, efforts to negotiate a code of conduct between the industry and Sanco remain stalled. A major stumbling block is the involvement of the banks in "apartheid structures" — particularly the homelands — which Sanco insists must stop.

Perm development GM Denis Creighton said there was a massive need to develop new business relationships between the private sector and township communities. He said both parties had no illusions about the difficulties on the ground and that the success of the pact depended on its ability to deliver what had been agreed on.

The main features of the Perm-Sanco pact are a joint commitment to:

- An educational programme on housing and developmental process, including rights and obligations of contracts, mortgage loans and related insurance issues;
- Encourage a culture of honouring contractual obligations, including debt payment, while excluding the Perm from all mass action and Sanco statements;
- Encourage holistic development projects, focusing on local employment creation and developing social facilities;

☐ To Page 2

Perm

BIDAY 8/2/93. (58)

☐ From Page 1

- Encourage holistic development projects, focusing on local employment creation and developing social facilities;
- Encourage the establishment of community trusts, with other organisations, to create the local and regional capacity to participate in development; and
- Develop a capacity building programme to train local, regional and national community leaders in managerial, developmental, housing and finance issues.

The Perm and Sanco have established a national working committee to formulate policy guidelines for the implementation of the pact. National, regional and local working committees will be established to make sure the pact "delivers on the ground".

The pact does not preclude either party from entering into agreements with other organisations. It also provides for the involvement of "relevant representative parties" in its structures where necessary.

● Picture: Page 3

Star 8/21/93

Perm to tackle problems of disadvantaged

(58)

The Perm Bank and the SA National Civic Organisation (Sanco) yesterday signed an agreement with civic leaders in which the bank undertook to set up structures to address various issues in disadvantaged communities.

Sanco, in return, committed itself to encourage residents to honour their contractual obligations, such as the payment of debts. Sanco president Moses Mayekiso also committed his organisation to not targeting the Perm in future mass action campaigns.

Perm divisional director Hugh Maclachlan said the agreement was an important event in the evolution of development and housing in South Africa. He said there were many people who wanted to take part in development but did not have houses or jobs, were unable to pay back bonds or had been ripped off by building companies.

Mayekiso said Sanco expected other bankers to follow Perm's lead soon. — Staff Reporter-Sapa.

Wesbank turnover tops R500 million

(58)

ARGT 8/2/93

Business Staff

WESBANK turnover hit an all-time monthly record in December, with business transactions amounting to well over R500 million.

Senior general manager Ronnie Watson said the motor vehicle market, which accounts for the bulk of its financing activities, had been about nine percent lower in 1992 than the previous year.

The record had been achieved against a background of continuing recession, he said, adding that the bank's arrears and bad debt position had been stable.

■ The Anglo American group is tidying up its holdings in construction company LTA.

Anglo American Industrial Corporation (Amic) is to acquire the 13,1million LTA shares (48,78 percent of the issued capital) held by Anglo American in exchange for 1 064 323 Amic shares.

This will increase Amic's interest in LTA from 22,79 percent to 71,57 percent and Anglo American's interest in Amic from 46,94 percent to 47,9 percent.

The directors of Anglo American and Amic say the transaction will have a minimal effect on the earnings and net asset values of the two companies.

The share exchange will simplify the control structure, set up clearer reporting lines and demarcate management responsibility and accountability.

The JSE has deemed Anglo American and Amic to be concert parties and consequently no offer is required to be made to the minority shareholders of LTA.

■ Speculation that W & A will spin off its retail interests and concentrate on manufacturing are incorrect, says W & A deputy chairman Hennie van der Merwe.

He says that certain retail operations, particularly furniture retailer the JD Group and the shoe chain Safshoe are core businesses as W & A is committed to reinforcing its position in mass consumer markets.

Nevertheless, W & A has identified seven or eight companies for sale, and the sale of one of these companies had been conditionally agreed.

The asset sale should proceed more quickly now that the future of the group has been assured by Trencor's decision to invest R350 million into the group as part of a R500 million rights issue.

Sowetan 8/2/93

BOE welcomes lottery plan

THE Board of Executors has welcomed recommendations by Mr Justice JA Howard to President FW de Klerk that a single, national lottery be established to raise funds for welfare, health and education. 247

"A single, national on-line lottery will bring regulation and control to the industry," the Board of Executors (BOE) said at the weekend. The BOE further proposed an April launch date for the lottery on the basis that the Howard Commission's recommendations would be published before that time.

A spokesman said the BOE would not advise its principals to proceed with the lottery unless and until an acceptable legal framework was found. 56

a stable condition in the Madadeni Hospital.

Perm, civics group sign historic pact

(58)

CT 8/2/93

JOHANNESBURG. — Nedcor's Perm division and the SA National Civics Organisation (Sanco) signed a historic "compact" agreement yesterday which effectively excludes the Perm from mass action like bond boycotts.

At the same time it puts in place joint plans for education, job creation and training and development programmes in the townships.

The deal, which has Nedcor's full backing, was hailed by ANC economic spokesman Mr Trevor Manuel as a "breakthrough" while there was so little "socially desirable investment" going on.

Mr Manuel urged the Perm to get other financial institutions to understand the substantial contribution they had to make in post-apartheid reconstruction. And he challenged Sanco to attract more investment to the townships by sending "signals" which would not negatively affect potential investments for job creation and housing.

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Credit union poser for Reserve Bank

58 CT 8/2/93

By MAGGIE ROWLEY
Deputy Business Editor

THE credit union movement, which is rapidly gaining force in South Africa, has set a poser for the Reserve Bank.

In essence the movement contravenes present legislation in terms of the Deposit Taking Institutions Act but at the same time is viewed as a potentially positive contributor to the development of financial infrastructure in the country, says Dr Hennie van Greuning, registrar of Deposit Taking Institutions.

"We are not convinced the movement should be viewed in the same light as banks and fall under present legislation but we are struggling to find a mechanism with which to deal with it."

Van Greuning said a logical interim measure would be for an exemption notice to be published in terms of the DTI Act. Exemption, he said, would also no doubt have to be given in terms of the new Mutual Banking Act which is presently still on the drawing board.

"The credit union movement, while extremely powerful overseas, is fairly new to South Africa and at the moment we just do not have a final answer."

The credit union movement, he said, was subject to principles of sound management and could contribute positively to the development of financial infrastructure in South Africa.

"As such it does not seem right to go ahead and prosecute people who are rendering a positive contribution in this manner."

The movement, which was started in the Western Cape in 1981 under the name the Cape Credit Union League was initially created as a project of the Catholic Welfare Bureau.

While the first credit unions were all church-based, subsequent credit unions were formed among domestic workers, mine workers, academics, trade unions and other groups and the movement spread to other parts of the country, changing the name of the umbrella body to the Savings and Credit Co-operative League of South Africa (Saccol).

In essence a credit union is a financial co-operative owned and democratically controlled by its members. Its primary purpose is to encourage saving and thereby provide a cheap source of loan finance for the mutual benefit of all its members.

Unlike the stokvel system, whereby all members contribute to a joint fund and then take it in turns to benefit from the payouts, credit union members have to apply for loans and pay interest on them, albeit at a favourable interest rate. In turn they receive interest on their savings in the fund.

To date there are 36 credit unions around the country boasting a total of 33 099 members. Of these 22 unions, with a membership of about 1 600, are in the Western Cape but Saccol is going all out to boost its membership to 80 000 by March next year.

Savings to date in the various unions are close to R1m while R593 430 has been paid out in loans to members.

Each union is based on "a common bond" among members, i.e. all must be employees of the same organisation, residents of a particular area or members of the same profession.

"Members are therefore in a position to stand surety for each other on the basis of a person's character rather than his or her assets," says Clive Stuurman, field services co-ordinator for Saccol.

Saccol, with its head office in Cape Town has two branches — one in Johannesburg and one in the Eastern Cape — and presently employs a staff of 19 full-time workers.

Besides recruiting new member unions it provides accounting and auditing services to member unions which are considered vital in providing controls and checks to safeguard members' funds. In additon, an independent annual audit is carried out on each credit union.

For the first six months of each credit union's existence, members have to save before any loans can be granted. Each union decides its own loan policy and interest rates. Interest charged on loans varies between 1% and 2% a month.

Saccol, he said, recently became affiliated to the African Confederation of Savings and Credit Co-operatives which has its head office in Kenya and represents credit unions in 28 different African countries. Through this they were linked to the World Counicl of Credit Unions which has its head office in Wisconsin in the US.

Rate cut

Home loans to come down

58

CT 9/2/93

Own Correspondent

JOHANNESBURG. — Reserve Bank Governor Dr Chris Stals last night announced a one percentage point cut in bank rate from 14% to 13% after days of feverish speculation in the financial markets.

Bankers said last night they would announce reductions in their prime overdraft and home loan rates today in response. The prime overdraft rate is at present 17,25%.

The move was not expected to be repeated in the near future as Dr Stals' statement was accompanied by a stern warning that interest rates might have to rise if balance of payments (BoP) problems persisted.

Dr Stals also announced strict new money supply guidelines and vowed to keep a tight lid on money supply growth. The new target range for growth in money supply from the fourth quarter of 1992 to the same period this year is 6%-9%, down from 7%-10%.

The Board of Executors deputy managing director Mr Phil Biden last night called the bank rate cut "positive and necessary".

He pointed out that there would not be mass consumer spending, but rather light relief as mortage bond and hire purchase rates edged downwards.

Sanlam's economist Mr Johan Louw said the cut in bank rate was the first step in getting the economy on the move.

"It was expected considering the low inflation levels (under 10% for the year to December) and the high real interest rates (nominal interest rates less inflation) which are way above international standards."

Seardel's chairman Mr Aaron Searll added that a cut in interest rates would bring much-needed aid to the costly capital-intensive clothing and textile industry.

First National Bank managing director Mr Barry Swart said last night the bank would announce reductions today in its prime and home loan rates. He could not indicate the size of the cuts and noted that home loan rates were already below prime. Most banks' home loan rates are currently 16,75% and prime rates are 17,25%.

Nedbank managing director Mr Richard Laubscher said the rate cut was a positive sign in the light of international rate cuts last week and lower inflation locally. "We will review the our prime and home loan rates today."

Standard Bank managing director Mr Mike Vosloo said: "Obviously we will be looking at the situation today and will respond in due course."

● **SA gold, forex reserves dip again — Page 9**

Cape Times

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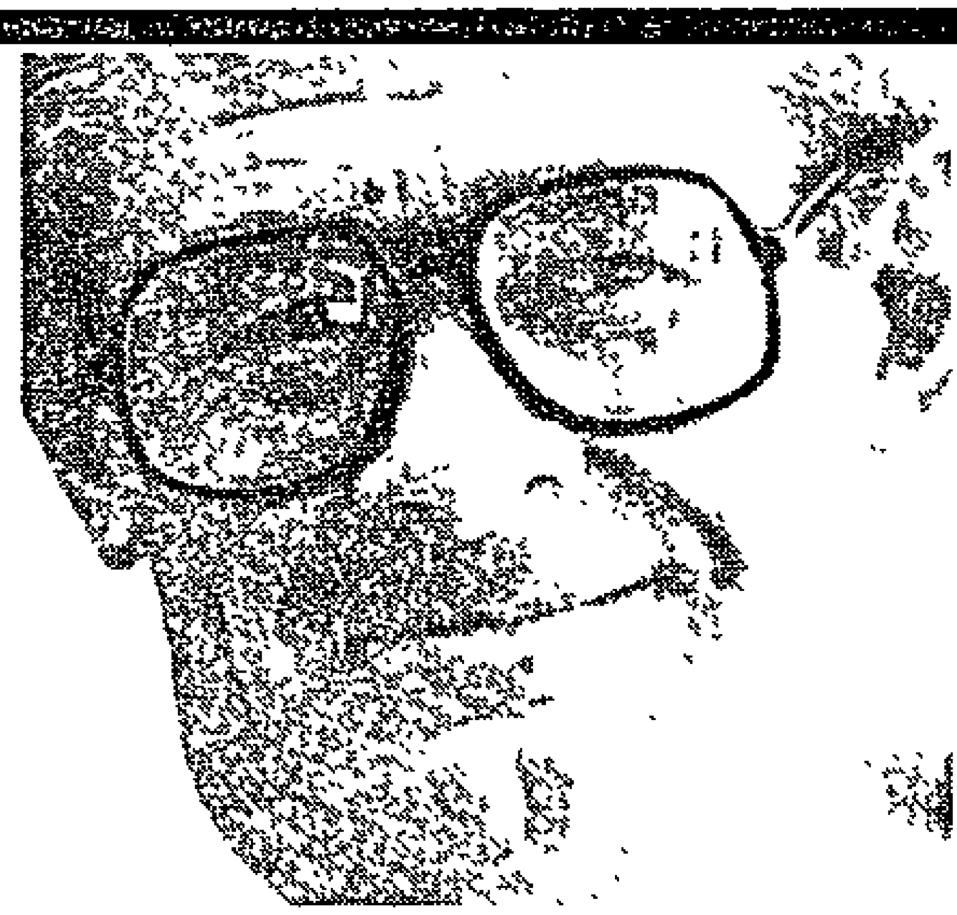

FIRED ... Bob Aldworth

Absa's 58 Aldworth axed

CT 9/2/93

JOHANNESBURG. — The Amalgamated Banks of Southern Africa (Absa) has fired its executive director, Mr Bob Aldworth, after investigations into alleged irregularities.

Spokesmen for the group declined to elaborate on the terse statement released late yesterday, saying the case was sub judice. A source said the alleged irregularities involved an "insubstantial" amount of money but "legal action" could be expected.

However, the commercial branch of the police could not confirm that the matter was under investigation.

Absa said in a statement that the services of its executive director, Mr Aldworth, "had been terminated with immediate effect".

"He has also ceased, with immediate effect, to be a director of all companies in the Absa Group on the boards of which he served."

Mr Aldworth's departure has come as a shock to the banking world as he was widely believed to be a key figure in the new structure.

In 1983 Mr Aldworth left Barclays Bank prematurely after it was found that his personal and business relationships with businesswoman Dr Sandra van der Merwe had become blurred.

He could not be reached for comment last night.

Massive deficit a 'horror story beyond belief'

Star 9/2/93

MMF R3-bn in red

(58)

Political Staff

CAPE TOWN — Millions of rands will have to be poured into the Multilateral Motor Vehicle Accidents Fund — which is almost R3 billion in the red — to keep it going.

This emerged from a special report on the ailing "third party" fund (MMF) by former Auditor-General Peter Wronsley, tabled in Parliament yesterday.

It is highly critical of shortcomings and deficiencies in the handling of the MMF and possible fraud which could involve millions of rands.

Wronsley's report — which covers similar ground to the damning Melamet Report, released to widespread outrage in June last year — warned (against the background of the present R2,9 billion accumulated deficit) that "if this trend continues, there must be serious doubts as to the fund's ability to continue".

He cited an actuarial report of October last year which indicated that the risk of illiquidity was critical, that the projected claims payments for the 1992/93 financial year will total R790 million, and that the fuel levy for that year will have to amount to at least R520 million — up from R489 million last year — to ensure the fund does not find itself without cash resources by April 30.

Wronsley reported that the fund was so badly administered that he was unable to express an audit opinion on the financial statements.

The report, which is critical of some insurance companies involved in claiming from the fund, found that in 2 206 cases the same amount was paid for more than one claim suggesting double payments were common.

The release of Wronsley's report coincided with the introduction in Parliament yesterday of the Financial Supervision of the Multilateral Motor Vehicle Accidents Fund Bill, which provides for placing the MMF under the supervision of the Financial Services Board.

Other clauses provide for stricter control over accident claims, closer management of the MMF, and regular reports on its financial status to Parliament.

The Democratic Party supported the Bill but in a separate statement, DP transport spokesman Wessel Nel described the growing MMF deficit as "a horror story beyond belief".

"Even the South African public with their senses blunted by repeated instances of massive mismanagement of public funds cannot tolerate this."

Interest rates reduced (58)

SOUTH African Reserve Bank Governor Dr Chris Stals yesterday announced a one percentage point reduction - from 14 percent to 13 percent - in interest rates.

Sowetan 9/2/93.

Stals said following last December's inflation rate of 9,6 percent, inflationary expectations could adjust to a lower rate of price increases and nominal interest rates could therefore be reduced without signifying any fundamental easing in monetary policy. (58)

Changes to Bill (58)

AMENDMENTS to the Deposit-Taking Institutions Amendment Bill by the Finance joint standing committee will, if promulgated, entitle a registered agent to pool funds entrusted to him by a number of lenders without this having to be recorded in the written contract of agency.

This freedom applies only to registered agents who have been designated by the Registrar. Another amendment proposes to make it unnecessary for the agency contract to specify the purpose or manner in which the agent would use the funds entrusted to him by the lender.

BDay 9/2/93.

Banks respond cautiously to Perm's bond boycott deal

ANDREW KRUMM

SA's banks would fight shy of emulating Sunday's deal between Nedcor's Perm division and the SA National Civics Organisation (Sanco) to exclude the Perm from township bond boycotts, an analyst predicted yesterday.

The analyst said the pact represented a "part forced, part willing" change of business direction for the Perm, which had relatively more invested in the black mortgage market than other banking institutions. "Due to its comparatively higher exposure to the black housing market, the Perm was forced to do something. However, they have always been a fairly progressive bank so their involvement in developmental issues is not that shocking."

Meanwhile, a number of banking groups yesterday declined to comment on whether they would follow the Perm's move. FNB MD Barry Swart said the banking community would respond through the Council of SA Banks, but council chairman Tony Norton refused to be drawn.

"The story only broke this morning and the industry has not yet got together to discuss it. It is also not for me to comment on the banks' individual approach."

He added that "as far as Sanco is concerned, we have found it productive to make no comment".

A banking source said Norton and others had been talking to Sanco and others over the past few months, but not in the secret manner which Sanco president Moses Mayekiso had alleged.

Standard Bank divisional GM Jopie van Hanschooten said he was not prepared to comment on the Perm's choices, but added that the Standard understood that "new frameworks" were required to determine how best to serve the customer. These frameworks would involve many things, only one of which was discussion with groups like Sanco.

Van Hanschooten said the thrust of a bank's interest in housing was primarily mortgage lending to its own customers. "We are in a business we know and understand, and one in which we can deliver. While using depositors' money, I think our involvement in the broader developmental issues is through structures like the national housing forum."

An Absa spokesman declined to comment on the Perm's move, saying his institution would deal with the fundamental issues in its own way.

● Comment: Page 8

Absa expects property sector to beat recession

58

B/Day 9/2/93.

PETER GALLI

HOUSE prices are expected to rise by between 10% and 12% this year as the property sector starts to shrug off the recession, says the latest Absa quarterly housing review.

The report, released yesterday, said the average price of medium-sized houses rose by an annualised 16% in the fourth quarter of 1992 — the first real increase since the recession began in 1989.

"The fourth quarter increase is particularly significant when compared with increases of only 0,3% and 3,2% for the second and third quarters of 1992," the bank said.

House prices dropped 4,6% in real terms last year, which was higher than the average of 3,4% a year in real terms since the start of the recession in 1989, it said.

The average price of a medium-sized house, before inflation, grew by 8,8% to R138 500 in 1992 over 1991, while small house prices rose 11,4% to R105 400 and larger homes edged up 4,3% to R193 700 over the same period.

"While building costs rose by an average 9,4% year-on-year in 1992, they soared to more than 13% year-on-year in the fourth quarter after an average rise of only 8% during the first three-quarters of the year," Absa said.

This resulted in a price differential of nearly 23% between new and existing houses at the end of 1992 after hitting a 20% three-year low in the second quarter of last year.

However, the drop in inflation to a single-digit figure was expected to facilitate the lowering of the Bank rate and mortgage rates, by another one or two points.

A much reduced current account surplus on the balance of payments, a weakening reserve position and a large fiscal deficit could impair the ability of the Reserve Bank to relax monetary policy significantly, Absa said.

The average monthly mortgage repayment on a medium-sized house dropped 10,3% in real terms to R1 796 last year over 1991, while remuneration levels rose by about 14,5% last year.

"Financing a house has thus become decidedly more affordable in recent months, which probably explains the buoyancy in house prices despite the continuing recession," Absa said.

Between the third and fourth quarters of 1992, only Johannesburg reflected a drop in the prices of medium-sized houses, falling 0,5% to R161 194. Small to moderate price increases were reported on the East Rand, where house prices rose by 0,7% to R127 938 and by 1,4% on the West Rand to R161 989.

In the Free State and northern Cape, prices rose by 1,6% to R110 614 and by 2,9% for the rest of Transvaal to R113 267.

A strong upward movement in prices occurred in the Durban-Pinetown area where prices firmed 5,9% to R188 998, the Vaal Triangle saw a 6,3% rise to R98 320, Pretoria 8,4% to R150 504 and prices rose 11% in the rest of Natal to R128 333.

Lloyds expects heavy losses

LINDA ENSOR

CAPE TOWN — The 1990 results of Lloyds, due to be declared in June this year, would involve losses as bad as the 1989 year, but these would be spread more evenly among the 25 000 members of Lloyds, Lloyds Syndicate Underwriting Management chairman Anthony Hines said at a news conference yesterday. BDM 9/2/93.

"Almost everyone will lose, but not huge amounts," Hines said, adding that it was expected that the 400 syndicates in existence in 1989 would have been reduced to 230 at the June declaration.

Hines and Lloyds Non-Marine Association deputy chairman Michael Williams are on a visit to SA to report on the latests developments to the approximately 500 Lloyds names in SA. Hines said the SA names had not suffered as much as other names as they had been reasonably well reserved. (58)

The results of Lloyds underwriting are declared three years after the annual close-off period to allow claims to mature.

Williams said the 1989 loss of £2bn was due to the combination of low ratings, a large number of disasters worldwide and the London Market Excessive Loss system, which allowed syndicates to reinsure each other, leading to concentrated losses among a few syndicates. The system had been abolished subsequently.

Williams said rates had hardened considerably and forecasts for the next three years were good.

Absa dismisses Bob Aldworth

GRETA STEYN

ABSA had terminated the services of executive director Bob Aldworth after investigations into irregularities, the banking group said in a statement yesterday.

Spokesmen for the group declined to elaborate on the terse statement released late yesterday, saying the case was "sub judice". A source said the irregularities involved an "insubstantial" amount of money and "legal action" could be expected. The commercial branch of the police could not, however, confirm that the matter was under investigation.

There has been an exodus of senior people from Absa. Aldworth's departure came as a shock to the banking world as he was widely believed to be a key figure in the new structure. Absa CE Piet Badenhorst brought him in amid much publicity soon after the Allied takeover in 1991 to replace former Allied MD Kevin de Villiers.

The reorganisation of Bankorp, Allied, UBS and Volkskas into one banking group had cost Absa corporate clients, sources said. They said Aldworth's sudden departure would be a major setback in efforts to win back lost market share.

When executive director Piet Liebenberg left the group last November, Aldworth was named as the director to spearhead the group's drive into the corporate banking market. Aldworth, who was on the bank's executive committee, was appointed executive director: marketing for the corporate banking division in December.

Aldworth left Barclays Bank prematurely in 1983 after it was found that his personal and business relationships with businesswoman Sandra van der Merwe had become blurred. He was also chairman of the now defunct Corbank. He could not be reached for comment last night.

Currie Finance hamstrung by recession

THE depth and strength of the recession prevented Currie Finance Corporation achieving real growth in the six months to December. BIDAY 9/2/93.

The freight and credit finance group reported a 4% increase in attributable income to R4,9m (R4,7m). Earnings a share were 34,8c (33,5c) on a 24% increase in turnover to R559,3m (R451,2m). An interim dividend of 18c (17c) was declared.

Chairman Mackie Brodie said trading

MADDEN COLE (58).

conditions in the second half of the financial year would be at least as difficult as in the first half. In the absence of any improvement in the economy, earnings were unlikelyto show significant improvement.

Clearing, forwarding and freight income increased 4% to R15,4m (R14,7m), with leasing finance rising 7% to R1,9m (R1,7m).

Interest rates reduced (58)

SOUTH African Reserve Bank Governor Dr Chris Stals yesterday announced a one percentage point reduction - from 14 percent to 13 percent - in interest rates.

Sowetan 9/2/93.

Stals said following last December's inflation rate of 9,6 percent, inflationary expectations could adjust to a lower rate of price increases and nominal interest rates could therefore be reduced without signifying any fundamental easing in monetary policy. (58)

3rd party: R650m govt loss

(58)

CT 9/2/93

By BARRY STREEK
Political Staff

THE government's third party fund now has liabilities of R3 billion and suffered a material underwriting loss of R663 million during the 1991/2 financial year.

These shock figures were disclosed yesterday by the former Auditor-General, Mr Peter Wronsley, and the Deputy Minister of Finance, Dr Theo Alant.

Mr Wronsley said the possibility of fraud involving "millions of rand" could not be excluded.

This was "a horror story beyond belief", the Democratic Party's transport spokesman, Mr Wessel Nel, said yesterday.

Dr Alant confirmed the R3bn obligations when he introduced a bill into Parliament to increase controls of the Multilateral Motor Vehicle Accident Fund and place the fund under the supervision of the Financial Services Board.

The bill was introduced following the recommendations last year of the Melamet Commission of Inquiry into the fund.

Mr Wronsley, whose special report into the fund for the 1991-2 financial year was tabled in Parliament yesterday, said there were numerous shortcomings and deficiencies in the handling of claims by the fund and agents.

He said the losses constituted "irrefutable evidence that the fund cannot continue to exist as a going concern unless appropriate steps are taken forthwith to raise income and/or reduce expenditure".

Because of the potentially fundamental effect of this situation, as well as a lack of adequate statistics about outstanding claims and a possible unfavourable court decision on withheld employees' tax, he said he was unable to express an audit opinion on its financial statements.

His report is highly damaging for the South African insurance industry because leading short-term insurance companies are the fund's "agents", some of whom were strongly criticised for making false and inflated claims.

He was also highly critical of some lawyers and doctors for making false claims on the fund.

"Although agents' faith in the medical and legal professions seems in most cases justified, investigations reveal that certain legal and medical practitioners have deliberately abused this trust."

Mr Wronsley said some 114 claims files involving cases of possible fraud and irregularities had been handed to the Office of Serious Economic Offences.

Mr Nel said that if ministerial responsibility meant anything at all, then the ministers in charge at the time things went so badly wrong should resign the offices they still held forthwith, apart from the current minister who inherited the position.

Computers go to waste

THE MVA Fund paid R575 000 for a computerised claims system from a contractor, who paid another firm R240 000 to develop it.

Of the 15 personal computers, 13 printers and 13 modems bought, only four computers and two printers were used.

When the MVA director was dismissed last June, his pension was paid as if he had worked until 1995 and age 60. The fund — despite R3-billion liabilities — supplemented his gratuity and annuity and to refund the Associated Institutions Pension Fund. Of the R363 000 this cost, R304 000 had been paid.

Bank rate cut good news for borrowers

ARG 9/2/93

The Argus Correspondent

JOHANNESBURG. — South Africans will soon be paying less interest on their house mortgages and their bank overdrafts.

Reserve Bank Governor Dr Chris Stals last night announced that from today the bank rate would be one percent lower at 13 percent from the previous 14 percent.

This is its lowest rate since 1988 and five percentage points below the peak of 18 percent which prevailed from the end of 1988 to March, 1991.

The commercial banks and building societies are expected to follow the Reserve Bank's action and cut their own lending rates by one percent fairly soon. Bankers said last week that they were waiting for the Reserve Bank to move before reducing their own rates.

This move towards cheaper money should give the economy a substantial boost for it will put more money into borrowers' pockets as their interest payments will decline.

A one percent reduction in the mortgage rate will reduce the monthly instalment on a R100 000 bond by about R83 a month. The interest rate cut will also make it less expensive to operate businesses and so encouragement businessmen to expand.

Industrial share prices on the Johannesburg Stock Exchange could firm slightly today, though the market has been expecting an interest rate cut for several days and has probably already taken much of it into account.

Dr Stals said that following December's inflation rate of 9,6 percent, inflationary expectations could adjust to a lower rate of price increases and nominal interest rates could therefore be reduced without signifying any fundamental easing in monetary policy.

Dr Stals said other interest rates used by the central bank in providing accommodation to deposit-taking institutions will also be reduced by one percent.

woman

Choose the winner from our Bride of the Year finalists and win a holiday! Food for lovers — Valentine menus. A black and white issue: adopting today. Supermodels and the Paris collections. All in ARGUS WOMAN today.

Breeders, trainers save horses

Staff Reporter

MORE than 30 thoroughbred broodmares and 13 foals have been saved from an uncertain future by an informal consortium of breeders and trainers.

A Klapmuts farmer, Mr Isak van Niekerk, snapped them up for R200 each at the Cape Broodmare Sale in Goodwood.

Industry insiders alleged Mr Van Niekerk was a butcher and the mares would end up as pets' meat. Mr Van Niekerk denied being a butcher, saying he planned to sell the horses to mule breeders in the Karoo and riding schools.

Many of the horses were bought back by their owners — at considerable profit to Mr Van Niekerk, who charged between R550 and R750 each.

Breeder Mr Damian Stevens bought back his horse for R750 because "the mare is in foal and I can't stand the thought of her being butchered".

Trainers Mr Chris Snaith and Ms Clodagh Shaw and breeders Mrs Pat O'Neill and Mr Nils Haug then stepped in to save the rest of the mares.

● See Page 11

Star 9/2/93

Homeowners' bond repayments likely to be cut

58

By Sven Lünsche

Homeowners can expect a one percentage point cut in their bond rates to 15,75 percent after last night's drop in the Reserve Bank's bank rate from 14 to 13 percent.

Senior managers at the country's major banks were meeting today to discuss the implications of the bank rate cut on their interest and mortgage bond rates.

Economists said today that the decline in the bank rate would be followed almost as a matter of course by lower prime and other lending rates.

A one percent bond rate cut would reduce the prime rate, the rate banks charge their key customers, from 17,25 to 16,25 percent and the bond rate from 16,75 to 15,75 percent.

Announcing the drop in interest rates yesterday, Reserve Bank governor Dr Chris Stals said the recent fall in inflation to below 10 percent, for the first time since 1978, had provided leeway for lower interest rates.

He warned, however, that the declining tendency in the gold and foreign reserves could militate against further reductions in interest rates, irrespective of what the inflation rate might do in the future.

"In fact, a continuing overall deficit on the balance of payments may in due course again lead to higher interest rates, which the Reserve Bank should not try to neutralise by the creation of more money."

Nevertheless, the likely decline in the bond rate is a major bonus to hard-pressed homeowners — since the beginning of last year the bond rate has fallen by more than four percentage points from 20 percent to the anticipated 15,75 percent.

In real terms, this means that on a 20-year bond of R100 000 the monthly repayment will have dropped from R1 700 at 20 percent to about R1 400 at 15,75 percent, a decline of R300. Similarly, for a 25-year bond of R150 000 the monthly repayment of R2 548 at 20 percent could fall to as low as R2 100 at 15,75 percent.

The lower bond rate pattern over the past year has also boosted house prices, according to a housing review published by Absa yesterday. Absa says the average price of a house in the fourth quarter of last year was R143 000, 6,5 percent higher than 12 months ago.

The bank expects a further rise in prices of between 10 to 12 percent this year as a result of renewed demand in the wake of the lower bond rates.

Lower interest rates will also reduce the monthly repayments on other overdrafts, but will lead to a fall in the the deposit rates the banks pay on their customers' savings accounts.

● Report — Page 14

Star 10/2/93

Banks trim cost of money

58

By Magnus Heystek
Finance Editor

South Africa's commercial banks all announced further cuts in bank overdraft and home mortgage rates yesterday following Monday's one percentage point drop in the Reserve Bank rate — to 13 percent.

The prime overdraft rate at most major banks will be reduced from 17,25 percent to 16,25 percent while mortgage rates will mostly drop by 0,75 percent to 16 percent.

The effective dates of these new interest rates vary from bank to bank. Standard Bank's new rates come into effect on February 22 while First National Bank, Nedcor and Perm will reduce rates on existing loans from March 1.

The Board of Executors (BOE) has reduced its mortgage rate by a full percentage point to 14,5 percent. BOE operates in the top end of the market and has no bad debts.

Monday's move by the Reserve Bank was expected after SA's inflation rate dropped to below 10 percent for the first time in nearly 20 years.

The downside of the reduction is that deposit rates at banks should follow suit as banks try to maintain their margins.

Deposit rates, which have come down substantially in recent months, are likely to be reduced even more in the coming weeks as investments mature.

Despite warnings by Reserve Bank Governor Dr Chris Stals on Monday that pressure on the country's foreign exchange earnings could possibly lead to higher interest rates later in the year, bankers are still expecting further cuts.

But BOE director Mike Thompson says that a further drop depends on the Budget.

The drop in the price of money comes as welcome relief to businesses and cash-strapped home owners. It caps regular drops in bond and prime overdraft rates from around 21 percent early last year.

Business leaders and spokesmen for organised commerce yesterday welcomed the further decline in prime rates but added that banks should pass on the benefits to consumers.

Homeowners with bonds will by now be feeling a massive difference in their minimum monthly repayments. A bond of R150 000, repayable over 25 years, will — at an interest rate of 16 percent — require monthly repayments of R2 120, as opposed to R2 548 at 20 percent.

The declining trend in mortgage rates is having a beneficial effect on house prices.

Uptrend seen in house prices

Finance Staff 58

Absa expects house prices to rise by between 10 and 12 percent this year. STAR 9/2/93

In its latest Quarterly Housing Review the bank says there are indications that the recession has begun to loosen its grip on the residential property market.

Prospects for the housing market have improved following the decline in bond rates last year as well as an improved repayment/remuneration ratio, which fell by 9,4 percent in 1992.

The improved trend is confirmed by building costs which rose by more than 13 percent (year-on-year) in the fourth quarter of 1992, compared with an average rise of only eight percent in the first three quarters of 1992.

The firmer house price trend in the fourth quarter was evident in all regions except Johannesburg, where the average price of medium-sized houses fell by 0,5 percent.

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More arrests over arms cache

BILLY PADDOCK

THE arrest of five more alleged Umkhonto we Sizwe (MK) members in connection with arms smuggling into Natal has put the ANC on the defensive before today's scheduled bilateral talks. BIDAM

This brings to 10 the number of alleged ANC members arrested in connection with the operation. 10/2/93

Two of those arrested have subsequently been released.

After the latest arrests, Judge Richard Goldstone postponed his inquiry into the smuggling operation at the request of the Transvaal attorney-general. The inquiry was due to start next Monday.

Yesterday ANC southern Natal regional chairman Jeff Radebe confirmed that at least two of the latest arrests were members of the organisation.

He said the high-level ANC investigation team, led by senior negotiator Matthew Phosa, was in Durban this week to interview those detained. On Monday in Middelburg, the team interviewed the first three, detained last week.

Phosa said the ANC team had established beyond doubt that the organisation's national executive committee and the southern Natal regional executive were not involved.

The team was also satisfied that military headquarters in Johannesburg and the military command in southern Natal had no part in the operation.

Hardline ANC Midlands leader Harry Gwala complicated matters for the organisation's negotiations team when he justified the smuggling of weapons into Natal in contravention of a 1990 agreement.

Gwala was reported as saying: "I don't think we should pretend that we don't try to obtain arms ourselves, or else how can we defend our people?"

Inkatha seized on this to justify its insistence that MK be disbanded before Inkatha entered multiparty talks. Inkatha charged that the ANC was stockpiling arms in Natal

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Fired bank executive keeps low profile

STEPHANE BOTHMA and JOHN DLUDLU

FIRED Absa executive director Bob Aldworth went to ground yesterday amid speculation about his involvement in irregularities at the banking group.

Absa executives remained reluctant to discuss the matter until it was handed over to the police. Unofficially, however, the bank believed about R500 000 had gone astray. Internal investigations were under way to determine if greater amounts were involved. (S1)

Attempts to trace Aldworth, 61, for comment on his dismissal on Monday were unsuccessful. His wife Catherine said from the family home in Craighall that she did not know his whereabouts. "I do not know whether or not he is in Johannesburg or if he will be returning to the city."

Police said no criminal charges were being investigated by Commercial Branch detectives at this stage.

Absa said on Monday that Aldworth's services had been terminated as a result of investigations into certain irregularities.

The affair is highly embarrassing for Absa CE Piet Badenhorst, who appointed Aldworth to manage Allied when it merged with United to form Absa.

BIDAM 10/2/93

Banks shave their prime lending rates by one percentage point

BDay 10/2/93

(58)

TIM MARSLAND

COMMERCIAL banks said yesterday they would cut prime lending rates by one percentage point to 16,25% and home loan rates to 16,00% from 16,75% in reaction to the one percentage point cut in Bank rate.

Economists said further cuts were unlikely before the second half of the year.

The Bank rate was cut to 13% from 14% on Monday.

Sources close to a meeting yesterday between Reserve Bank Governor Chris Stals and key bankers said bearish signals from Stals indicated that further reductions were unlikely until the second half of the year.

They said Stals had told bankers he was concerned at the rate of capital outflows and resultant pressure on reserves.

They said the central bank was unlikely to move again soon on Bank rate as a result. Pressure on reserves was also affecting the money market, where rates had little potential to move downwards until the reserves position improved.

This meant banks were unlikely to act off their own bat in cutting rates.

Standard Bank was first to cut its interest rates yesterday. Its new prime and home loan rate would take effect on February 22. A bank spokesman said credit card charges would also be lowered.

He said most deposit rates would drop by one percentage point, with 32-day deposit rates dropping three-quarters of a percentage point. Pensioners would continue to receive concessions on deposit rates.

First National Bank said its new prime rate would take effect on February 15, while its home loan cut would take effect on March 1.

Nedbank and Perm's prime rate reduction would take effect on February 25, and the home loan cut on March 1. Absa's rate cut implementation dates were February 22 and March 1 respectively.

NBS, Saambou and Boland announced similar cuts. EP Building Society said its home loan rate would be 15,95%.

BoE Merchant Bank cut its rate to 14,5% from 15,5%.

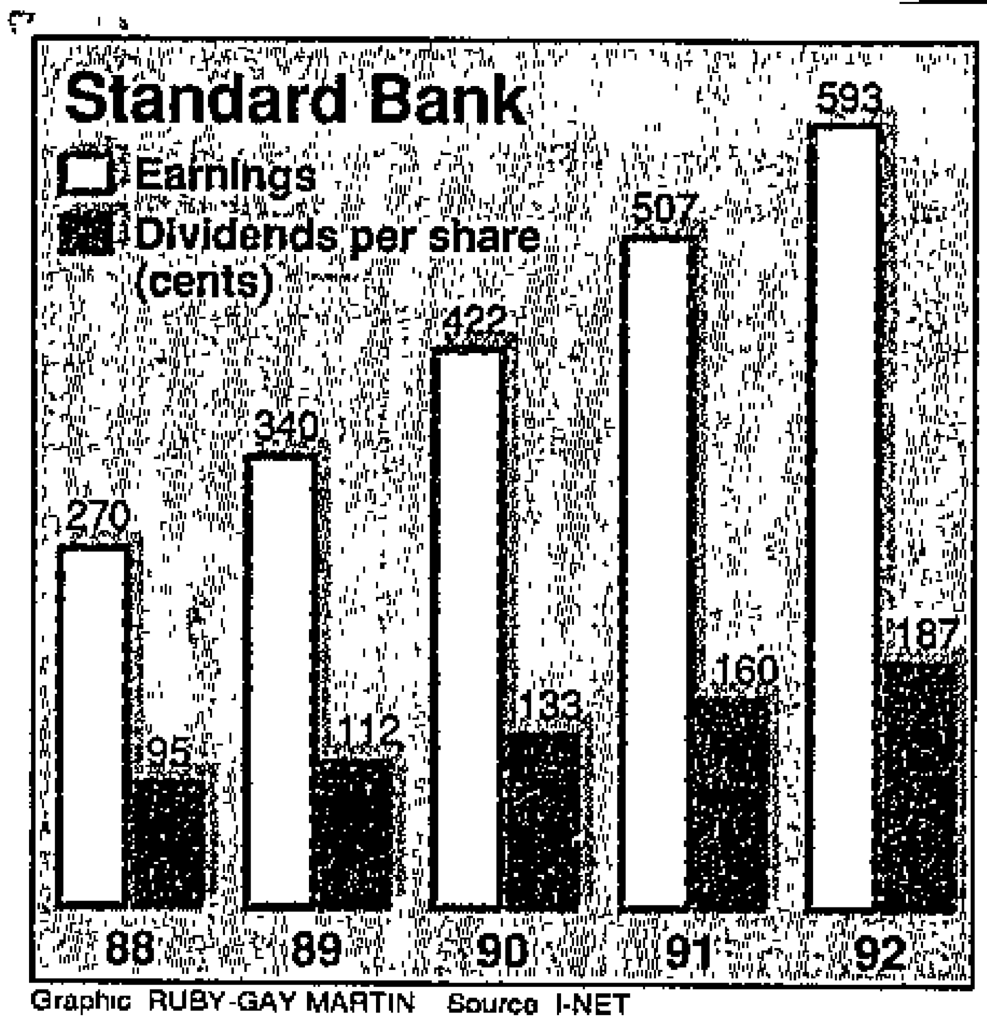
According to Standard Bank, on a home loan of R100 000 payable over 30 years, monthly repayments would have decreased by about R330 a month from the home loan rate of 20% early last year.

Money market rates dropped in line with the Bank rate, dealers said.

A dealer said the short end of the money market had not fully discounted the Bank rate cut, which helped the overnight call rate trade in a new range of 10,50%-11% compared with 11%-11,50%. The 90-day liquid BA rate fell to 11,50% from 12,00%.

The capital market shrugged off the cut, having fully discounted it, dealers said.

On the longer end of the market, the Eskom 168 yielded 14,410% compared with an overnight 14,360%.



Graphic RUBY-GAY MARTIN Source I-NET

Standard Bank earnings up 17%

TIM MARSLAND 58

THE Standard Bank group yesterday reported earnings and dividends a share up 17% for the year to end-December as high interest margins offset a 29% rise in operating costs. BDay 10/2/93

Earnings a share rose to 593c from 507c after the diluting effect of the rights offer held earlier in the year. Attributable earnings were up 22,4% to R625m. A final dividend of 134c boosted the total payout for the year to 187c a share from 160c.

Group MD Eddie Theron said the rise in operating expenditure was largely a result of costs incurred from the purchase of offshore banking operations. The directors said the cost was related mostly to the higher payroll.

The group has acquired Brown Shipley based in Jersey and the Isle of Man, ANZ Grindlays in Africa and Union Bank of Swaziland. It has also set up Standard Bank London.

Theron said R189,5m had been written off as an extraordinary item in connection with the banking investments. This represented the additional cost of using the financial rand because of the discount between it and the commercial rand.

The directors said operating income was also affected by the group's "major pro-

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Standard

BDay 10/2/93 58

☐ From Page 1

gramme of reconfiguration of the branch network and supporting electronic processing systems". More money was allocated to training and development, while wages rose on average 13%.

Net interest income rose 27% to R2,583bn from R2,045bn. The directors said the rise was underpinned by strong performances from Standard Bank of SA (SBSA) and Standard Merchant Bank (SMB) — the group's commercial and merchant arms.

SBSA improved net income by 31,4% to R505,8m and SMB by 21,1% to R43,1m.

Interest margins had widened, but Theron was unable to say by how much. However, he did say it was more than one would have expected.

The directors said higher liquidity had helped the interest margins as the cost of money had dropped. This, coupled with a 21% rise in loans, advances and acceptances, had helped income.

Aggressive marketing saw its lending in the housing market rise 49% to R11,917bn from R8,058bn. Theron said the bank's share of the market was now about 10%.

Shareholders would not be offered the option of additional shares in lieu of a dividend because of the rights offer.

Bill sets out the standards needed for bank managing

CAPE TOWN — No degree of intervention or strict application of statutory measures by supervisory authorities could prevent the loss of an inexpertly-managed bank, Deputy Finance Minister Theo Alant said in Parliament yesterday. (58)

Speaking during the second reading debate on the Deposit-Taking Institutions Amendment Bill, he said qualifications and standards for the directors and executive officials of such institutions were now clearly defined.

Casper Uys (Barberton, CP) said in future curators would have to prepare annual reports on progress in rehabilitating institutions under judicial management.

Francois Jacobsz (Helderberg, NP) welcomed the definition of persons considered "fit and proper" to manage institutions which accepted public deposits.

Poor management played a key role in most cases where banks ran into trouble, he said. BDay 10/2/93.

Brian Goodall (Edenvale, DP) said money-broking provided a useful service to the public, but steps were necessary to regulate this activity.

However, investors could be effectively protected only if they took steps to protect themselves.

He said the more competition SA banks had the better for them. A minimum standard was being set for foreign subsidiaries.

Replying to the debate, Alant said each member of the public was responsible for handling his or her own financial matters.

Speaking in debate on the SA Reserve Bank Amendment Bill, Goodall said the role of the Reserve Bank should be entrenched in a new constitution.

The Bank would play a critically important role in the development of the country, he said.

The Bill drew an important distinction between the monetary control function and the regulatory function.

The DP was in broad agreement with the Bill and supported it.

Replying to the debate, Alant said government had the power to dominate the Bank but had given Governor Chris Stals the reassurance that he would have the largest degree of autonomy possible.

Although Stals was expected to brief Cabinet on macro-economic matters, he retained as much independence as possible.

Alant said he had expected interest rates to drop faster but accepted Stals's point that other factors were affecting rates.

All parties supported the Bill which is to be passed simultaneously with the Deposit-Taking Institutions Amendment Bill. — Sapa.

AHI supports efforts to stop inflation spiral

GERALD REILLY

PRETORIA — If prices and wage increases continued to exceed monetary guidelines, it would be difficult to arrest the spiral of economic contraction and declining job opportunities, AHI president George Huysamer said yesterday. BDay 10/2/93

He said in a statement that he supported the Reserve Bank's sustained efforts to reduce inflation to the level of SA's most important trading partners. Overarching financial stability with low inflation was needed for sustained growth.

The AHI supported the official monetary guidelines of 6% to 9% in the M3 money supply growth in 1993.

Business should take this into account in price and wage decisions during the year, he said. The national economic forum should use co-operation between business and organised labour to lower the inflation spiral to beneath the official monetary guidelines.

Huysamer said the AHI shared Reserve Bank Governor Chris Stals's concern about the large net balance of payments deficit in recent months, especially against a background of a deepening recession. The country could not afford a further decline in foreign reserves this year.

Huysamer asked whether the rand should not be allowed to absorb the greater part of the pressure on the balance of payments, which resulted from large capital outflows, agricultural imports and weak terms of trade, not from domestic overspending.

An approach in which the exchange rate was allowed to decline sufficiently to head off a further net reserve loss merited serious consideration.

Financial institutions lower rates

Sowetan 10/2/93

■ More money for the borrower:

By Joshua Raboroko (58) (185)

MAJOR financial institutions dropped their overdraft and home loan rates after the Governor of the Reserve Bank, Dr Chris Stals, reduced bank rates from 14 to 13 percent.

Announcements were made by First National Bank, Standard Bank, Saambou, Nedbank, NBS and Perm.

The moves by financial institutions towards cheaper money should give the economy a substantial boost. It will put more money into the borrowers' pockets as their interest payments will decline.

FNB's Mr Norman Eksteen said the bank had lowered its prime overdaft rate from 17,4 to 16,25 percent and home loans from 16,34 to 16 percent.

Standard Bank has announced a one percent drop in its prime overdraft rate, from 17,25 percent to 16,25 percent, and a 0,75 percent reduction in its home loan rate, from 16,75 percent to 16 percent. Both are effective from February 22.

Saambou managing director Mr Johan Muburgh said the bond drops would be immediate.

Perm and NedPerm will reduce the prime overdraft from February 25.

Home loans cut

CT 10/2/93

By ARI JACOBSON

MAJOR banks took the lead from the Reserve Bank's cut in the bank rate to 13% and lowered prime overdraft rates from 17,25% to 16,25% and mortgage bond rates by 0,75% to 16%.

The prime overdraft effects banking services such as overdraft rates and hire purchase.

Mortgage rates are usually cheaper than other rates as the underlying asset is considered to be less risky.

The down side of a decline in interest rates is that interest paid on fixed income investments will drop, although banks will be adopting different strategies in this regard.

While rates are in most cases expected to drop by about 1%, Standard Bank are keeping rates for fixed deposits of over a year unchanged at 11%, to encourage "investors to save for longer" the bank's general manager Mr John Holloway said.

Foreign exchange

The ultimate effect of the 0,75% cut in the bond rate would lead to a saving of about R60 a month on a home loan of R100 000 with a maturity date of 25 years.

NBS's Mr Kingsley Loney suggested that as clients were accustomed to their present payments they should continue to pay the same sum, as interest rates could increase again by the end of the year.

He was responding to SA Reserve bank governor Dr Chris Stals' statement that interest rates could rise again, if the country's foreign exchange position did not improve.

● How about a little rate cut after lunch? — Page 9

Star 10/2/93

(58)

Acquisitions and good margins boost Stanbic

By Leigh Hassall

Wide interest margins and acquired and acquisitive asset growth contributed to another sound year of earnings growth for the Standard Bank Group.

Net income of SBIC, the parent company, rose by 22 percent to R637,5 million despite the third successive year of high bad debts and a rise in operating expenditure.

Shareholders will benefit from the increase in results with a 17 percent rise in the final dividend to 134c (116c) bringing the total for the year to 187c (160c). The final dividend is not being offered in scrip as was the interim.

EPS rose 17 percent to 593c, dampened by the dilution from last year's rights issue and a private placement of shares to fund an overseas investment.

Operating profit before tax surged a hefty 32 percent to R1,05 billion aided by a 27 percent rise in net interest income and a 19 percent rise in other operating income.

Wide interest margins prevalent in the banking sector in recent years together with a 21,4 percent growth in loans, advances and acceptances was the reason for the rise.

A hefty 21,2 percent increase in operating expenses to R3,04 billion bore down on the increase in income. Staff costs rose 21 percent and other operating expenses surged 29 percent to R1,26 billion.

Eddie Theron, group managing director, says strategic acquisitions made during the year had a material impact on the increase. Last year the group extended their banking operations to London, acquired interests in Jersey and purchased ANZ Grindlays African banking operations.

While the banks have enjoyed high interest margins they have also endured spiralling bad debt write offs. SBIC provided a further R380 million during the 1992 year to bring their total of specific and general provisions to R979 million. The general provision of R448 million represents 0,85 percent of total advances and acceptances.

A 48 percent jump in taxation to R468 million further impacted results.

The 22 percent rise in net income was assisted by a R200 million extraordinary loss. The group wrote off R189,5 million on conversion of the overseas acquisitions which were paid in financial rand to the book value stated in commercial rands.

On the balance sheet side total shareholders funds grew 45 percent to R3,92 billion and total assets surged 27 percent to R63,92 billion. The acquisitions made during and near the year end are included in these amounts.

Advances grew 22 percent to R51,19 billion buoyed up by the home loans market which surged from R8 billion to R11,9 billion.

Theron estimates market share in the home loans market to be 15 percent and in other markets to be in the range of 20 percent plus.

Another bad year for Lloyd's

Star 10/2/93

58

By Derek Tommey

Lloyd's names — the people who put up the money for the insurance underwriters at Lloyd's — should make profits in the next few years.

This was the message that the two members of Lloyd's liaison committee, Anthony Hines and Michael Williams, had for Johanneburg names last night.

But in the meantime the names were warned that they would still have to bite the bullet. After an overall loss of £2,1 billion for 1989 (accounts are usually left open for three years) it appears that similar losses were also made in 1990 — the fourth bad year running, the liaison team reports.

Williams said that while many South African names would show losses for 1990, the losses of a great many of them would be covered by profits made in earlier years and left with Lloyd's in London.

Only those people who recently became names might be called on to make a cash contribution.

But conditions in the insurance market should now improve. Some rates have risen fairly sharply in the past few years and are expected to continue to do so in the future.

Several American insurance companies have gone bust recently, and the failure of some of the bigger ones could lead to rates in that country rising sharply, said Williams.

Prof named to probe MMF

PROFESSOR Steve Rossouw had been appointed to investigate the funding of the Multilateral Motor Vehicle Accidents Fund (MMF), the Minister of Transport, Dr Piet Welgemoed, said yesterday. 58

Speaking during the debate on the transport vote in the additional budget, he said certain problems in the MMF had developed over 20 years. — Sapa

CT 16/2/93

Standard Bank earnings up 17%

58 CT. 10/2/93

Own Correspondent

JOHANNESBURG. — The Standard Bank group yesterday reported earnings and dividends a share up 17% for the year to end-December as high interest margins offset a 29% rise in operating costs.

Earnings a share rose to 593c from 507c after the diluting effect of the rights offer held earlier in the year. Attributable earnings were up 22,4% to R625m. A final dividend of 134c boosted the total payout for the year to 187c a share from 160c.

Group MD Eddie Theron said the rise in operating expenditure was largely a result of costs incurred from the purchase of offshore banking operations.

The group has acquired Brown Shipley based in Jersey and the Isle of Man, ANZ Grindlays in Africa and Union Bank of Swaziland. It has also set up Standard Bank London.

Theron said R189,5m had been written off as an extraordinary item in connection with the banking investments. This represented the additional cost of using the financial rand because of the discount between it and the commercial rand.

The directors said operating income was also affected by the group's "major programme of reconfiguration of the branch network and supporting electronic processing systems". More money was also allocated to training and development, while wages rose on average 13%.

Net interest income rose 27% to R2,583bn from R2,045bn. The directors said the rise was underpinned by strong performances from Standard Bank of SA (SBSA) and Standard Merchant Bank (SMB) — the group's commercial and merchant arms.

SBSA improved net income by 31,4% to R505,8m and SMB by 21,1% to R43,1m.

Interest margins widened, but Theron was unable to say by how much. However, he did say it was more than one would have expected. Higher liquidity helped the interest margins as the cost of money had dropped. This, coupled with a 21% rise in loans, advances and acceptances, had helped income.

● Aggressive marketing saw its lending in the housing market rise 49% to R11,917bn from R8,058bn. Theron said the bank's share of the market was now about 10%.

Star 10/12/93 (58)

MMF scandal: six held

By Michael Chester

Five attorneys and one senior police officer have been arrested on fraud or corruption charges in the first swoop to uncover massive swindles behind the motor accident insurance scandal.

The Office for Serious Economic Offences (OSEO), whose crack team of CID and legal investigators has joined the hunt for culprits, said many more arrests were imminent.

The full-scale probe follows disclosures made in Parliament that the Multilateral Motor Vehicle Accidents Fund (MMF) — created by the Government to cover third-party claims stemming from road collisions — faced a deficit of almost R3 billion as a result of widespread fraud.

Economists fear that millions of rands of taxpayers' cash will have to be steered into the fund to keep it going.

They predict the heaviest burden will fall on motorists, since the MMF's main income comes from the invisible fuel levy that is added to petrol prices.

OSEO director Jan Swanepoel, head of the fraud probe, said yesterday more than 114 cases of suspected fraud were under investigation.

Scores of insurance company assessors — who estimated the size of repair bills on vehicles involved in accidents — were under suspicion.

Widow sues insurance giant

CT 11/2/93
(58)

By RONNIE MORRIS
Supreme Court Reporter

Metropolitan refuses to pay R19 000 claim

METROPOLITAN LIFE refused to pay out a R19 000 policy to the son of a Natal hospital worker who died when hit by a stray bullet because the man allegedly failed to indicate he had suffered from tuberculosis.

The insurance giant offered to pay the man's widow the R186 he had paid in premiums before he was killed.

This emerged in the Supreme Court where Mrs Mildred Mthembu, mother and guardian of the beneficiary, her son Griffiths Beki Mthembu, of KwaMashu in Durban, brought an action to claim the money from Metropolitan.

The application, funded by the Legal Aid Board, was brought in Cape Town because Metropolitan's head office is here.

In her particulars of claim, Mrs Mthembu said her husband, who had no formal schooling, entered into a written contract of insurance for R19 975,01 in August 1986.

His son was named as the beneficiary.

Her husband died on February 14, 1989 on his way home from church at KwaMashu after he had been struck in the chest by a stray bullet.

Metropolitan subsequently repudiated the policy and refused to pay.

In its papers, Metropolitan said that when asked if he ever had symptoms of or suffered from any disease of the lungs, sought medical advice in the five years preceding the contract, or if there had been anything relating to his health which could affect the risk of the assurance proposed, Mr Mthembu had answered "no".

The insurance giant denied that the policy was in full force and effect on the date of Mr Mthembu's death.

Metropolitan also asked that the application be dismissed with costs.

Dr D G le Roux, Metropolitan's chief medical officer, said even if tuberculosis appeared inactive on X-ray, it was possible that it could flare up again.

If there was a remaining scar, even a minute one, the premiums would have been increased.

However, Dr Gary Maartens, of Groote Schuur Hospital, said Mr Mthembu had been cured of TB and had minimal residual damage to his lungs.

This would not have had any influence on his life expectancy, he said.

Mr Justice R M Marais reserved judgment.

Mr R G L Stelzner, instructed by Mr Jacques Blignaut, of C K Friedlander Shandling and Volks, appeared for Mrs Mthembu. Mr Fred Smers, instructed by Rushton du Toit Kraus and Van den Heever, appeared for Metropolitan

Acquisitions boost RMB earnings

Star 11/2/93 (58)

By Sven Lünsche

RMB Holdings, the holding company of Momentum Life and Rand Merchant Bank, has reported satisfactory results with earnings per share up 23 percent to 30c (23,6c).

The interim dividend is up from 8,5c to 10,5c after net income from its recent acquisitions improved from R13 million to R21,5 million.

RMB, which was listed on the JSE in November, acquired a controlling interest in assurer Momentum Life in June last year and Momentum in turn acquired Rand Merchant Bank.

Momentum showed good earnings growth as premium income increased by 48 percent to R622,8 million (R420,2 million). The life assurer says, however, that this is unlikely to be repeated in the second half as it was related to a number of large transactions in single premium income.

Momentum's investment income, which includes net income from Rand Merchant Bank, increased slightly from R300 million to R306,2 million.

But the consolidation of RMB's net income for the first time boosted the surplus attributable to shareholders from R9 million to R19,6 million.

Momentum's earnings per share rose 21 percent to 16c (12,8c) and it is paying an interim dividend of 9c (7,5c).

Momentum expects further growth in earnings in the second half.

Absa hands Aldworth case to police

GRETA STEYN

ABSA had handed the Bob Aldworth case to the police yesterday afternoon, a commercial branch spokesman confirmed.

Former Absa executive director Aldworth has admitted to taking about R400 000 of the banking group's money which he had hoped to repay with profits from share options.

The police spokesman said Absa executives had had discussions with the commercial branch and had made statements, but more information was needed before a charge could be formulated. No steps had yet been taken to trace Aldworth nor had police arrived at a total figure for the amount involved in the alleged fraud.

Absa sources indicated that the amount mentioned in Aldworth's affidavit might not be the final figure as their investigations had not yet been completed.

Since the announcement on Monday that Aldworth was fired, there was speculation that Absa would not press charges if Aldworth found a way to repay the money.

Finance Week took up the cudgels for the disgraced bank chief, saying there was "a need to temper justice with mercy". The plea, however, fell on deaf ears. It is understood Absa CE Piet Badenhorst believes the purge in Absa after the Bankorp takeover would lose credibility if the correct procedures were not followed.

Aldworth put his Craighall home on the market for R1,2m shortly before he was fired. He has not found a buyer yet.

● Comment: Page 10

Syfrets Disa Fund grows

LINDA ENSOR (58)

CAPE TOWN — Assets of Syfrets' offshore unit trust, the Isle of Man-based Disa Fund, have grown to R37m from R21m in the past three months, and with an additional R8m committted will top R45m by the end of February.

Syfrets senior GM Simon Steward said yesterday recent investors included clients resident in the UK. The main reason for the increased flow of funds was the reduction in the cost structure to 1,5% from 1,9% of assets under management and continued strong investment returns, he said. BDAY 11/2/93

Disa allows offshore investors to invest in SA gilts through the financial rand.

Sanlam payouts soar

ARGT 17/2/93 (58)

ALIDE DASNOIS
Business staff

SANLAM paid out more than R100 million a week — or R3 million an hour — last year to policy holders and other beneficiaries.

Payouts last year rose 38 percent to nearly R5 900 million.

The insurance giant's premium income topped the R10 000 million mark for the first time, chairman Dr A J van den Berg told the 74th annual general meeting this morning.

He said premium income had risen 10-fold since 1983. Growth was particularly strong in the group benefits sector, where premium income jumped 42 percent during the year. Dr Van den Berg said an increasing number of pension and provident funds were placing their investments with Sanlam.

Investment income rose 17 percent to more than R4 000 million. At the end of September the market value of Sanlam's assets was about R60 000 million, of which just under half was in shares.

Successful investments by Sanlam's strategic investment arm Sankorp enabled the company's performance to beat the JSE's all-share index.

Dr Van den Berg said for every R1 million invested in Sankorp's listed companies since 1985, Sanlam had earned R500 000 more than it would have earned by investing in shares in all JSE-listed companies.

The role of insurers in mobilising funds for development would become more and more important in future, he said.

● **Atlantis Diesel Engines** has landed a R2,5 million contract to export crankshafts to Mercedes-Benz in Argentina.

Managing director Fritz Korte said Argentinian businesses had to match imports with exports, so Mercedes in Argentina would supply components at competitive prices. Five thousand engine blocks for MAN in Germany were also on the production line.

● **Fedlife's** new business annualised premium income for 1992 rose 67 percent to top R660 million, managing director Morris Bernstein said. Premium income for 1992 was R1,245 billion.

Fedsure Group would be reporting the year-end figures at the end of February.

● **Consol** lifted half-year earnings by 7 percent, with higher turnover in the rubber sector partly offset by a drop in packaging sales.

● **Davy International,** part of the British **Trafalgar House** group, has won the contract to supply a rolling mill for the Columbus project.

Most of the equipment will be bought in Britain.

The contract is for the R3,5 billion expansion of the Columbus stainless steel plant at Middelburg, which will quadruple South Africa's stainless steel capacity to 500 000 tons a year from 1995, and turn it into the world's sixth largest producer.

The order was won against strong international competition. Columbus chief executive Fred Boshoff said there had been tremendous interest in the tenders for the project, with bids from companies in the UK, France, Germany, Italy, Austria and Japan.

Some of the bids had been very keen, indicating the lean state of the international engineering industry.

In response to criticism that major contracts were going offshore, Mr Boshoff said in order to compete internationally state-of-the-art plant was required and nobody in South Africa had the capability to supply the integrated steel plant. He noted that Davy and others would be buying many of their parts in South Africa.

Financing for the rolling mill contract was arranged by Kleinwort Benson. The UK merchant bank was raising 15 percent of the money privately and the rest was being arranged through the UK's Export Credit Guarantee Department.

More lawyers in fund probe

ARG 11/2/93 (58)

JOHANNESBURG. — A team probing alleged widespread misuse of the Multilateral Motor Vehicle Accidents Fund (MMF) is investigating fraud and theft charges against a further 10 attorneys and two private assessors working on third-party insurance.

The Office for Serious Economic Offences said yesterday it had *prima facie* evidence against them and expected further arrests.

Five attorneys and a suspended security policeman were arrested last year in connection with the alleged scam.

The policeman, Warrant Officer Jan de Bruyn, appeared in the Johannesburg Regional Court on February 4 on charges of bribery and corruption. The State has alleged that he performed certain functions for a firm of assessors in exchange for money.

The fraud and theft trials of three of the five attorneys, father and son Mr R Smit and Mr D Smit and S C Mhinga, would resume in the Regional Court on March 23, the office said.

The two other attorneys appeared in the Pretoria Regional Court on January 22. Mr N M Bogoshi, facing fraud and theft charges, was released on bail of R100 000 and Mr D T Janse van Rensburg was freed on smaller bail.

A spokesman for the office, which has been investigating the matter since June last year, said it was confident it would get to the bottom of the corruption in the third-party vehicle insurance system.

The cases relate to allegedly fraudulent claims by attorneys on behalf of claimants against the MMF. It is alleged that they defrauded the claimants. — Sapa.

RMBH reports increase of 27%

ANDREW KRUMM and DUMA GQUBULE 58

RECENTLY listed financial services group RMB Holdings (RMBH) reported a 27% increase in attributable earnings to 30c (23,6c) a share for the half year to end-December. BDM 11/2/93

RMBH, the holding company for Momentum Life and Rand Merchant Bank (RMB) increased its interim dividend to 10,5c (8,5c) a share after last year's merger. Its net income rose to R16,5m (R13m), it said in a statement published today.

Momentum Life reported a 25% increase in earnings a share to 16c (12,8c) for the six months to end-December off a more than doubled attributable surplus.

The interim dividend rose to 9c (7,5c) a share on a significantly higher number of shares in issue.

Momentum and its subsidiary RMB are estimated to account for about 95% of RMBH's earnings on a pro forma basis. RMB's net income was not disclosed separately and was included as part of Momentum's investment income.

Momentum Life MD Niel Krige said the "surplus attributable to shareholders rose to R19,6m (R9m), mainly because of the consolidation of Rand Merchant Bank's disclosed net income for the first time".

Because Momentum merged with RMB in July 1992, the 1991 and 1992 half-yearly results were not strictly comparable.

He said interim premium income had jumped 48% to R622,8m (R420,2m) to end-December 1992, driven by a rise in single premium income. However, this was unlikely to be repeated in the second half.

Investment income rose slightly to R306,2m (R300m) as interest rates dropped and company dividends "marked time".

Krige said earnings and dividends a share would show a satisfactory increase in the second half of the financial year, but declined to specify by how much.

RMBH also said it expected earnings and dividends to increase satisfactorily in the second half of the year.

Property recovery 'unlikely before 1994'

BDAY 11/2/93 (58)

LINDA ENSOR

CAPE TOWN — The property market would reach a lower turning point by the first half of 1994, Boland Bank chief economist Louis Fourie said in the February issue of the bank's Economic Review which focused on the property market.

"Taking the real value of building plans approved in the private sector as a barometer of construction activities in the forthcoming two years or so, it becomes clear that the property market is not on the verge of a revival. Significantly, even the building plans for non-residential building are showing a sharp levelling off."

Fourie said that traditionally the property market lagged the business cycle by about 12 to 18 months making it unlikely that there would be any recovery before early 1994. He cautioned however that political developments would have a decisive impact on the property market.

"In the absence of an improvement in the general level of confidence in the future of SA, it is unrealistic to anticipate a significant revival in the property market. There are at least tentative indications that we can look forward to positive progress in this area."

While residential property had become relatively inexpensive over the past three years, there had been a severe setback in individual wealth. Fourie said there were no good reasons to believe that the labour market, income growth or tax position of the average individual would improve significantly in the short term.

Consequently, the "affordability factor" still had to be regarded as a negative determinant of property market trends.

Also, significant reductions in interest rates would not serve as a booster for the property market in 1993/94. Fourie stressed, however, that there were many opportunities currently available in the property market.

Standard Bank shares rocket

■ Senior executive expects credit demand to be weak:

Sowetan 11/2/93

STANDARD Bank on Tuesday reported a boost upwards in dividends of 17 cents a share for the year ended December 1992.

Standard declared a final dividend of 134 cents a share pushing the total for the year to 187 cents a share from 1991's 160 cents.

Net income after tax gained 22 per cent to R637,5 million but earnings a share were diluted and increased by 17 percent to 593 cents a share.

However, group managing director Eddie Theron said Standard was budgeting for an improvement in earnings a share for the current financial year but at a lower rate than 1992. Standard expects the demand for crédit to remain weak as the business climate remains depressed.

The market would therefore remain liquid with relatively high interest margins. — *Sapa.*

costs and resulted in inflated food prices, SA Agricultural Union director Piet Swart said ... lowered or removed, Swart said. At a meeting last month ... that it would challenge ...

National symbols under microscope

GERALD REILLY

PRETORIA — The Human Sciences Research Council is investigating the thorny issue of national symbols.

In a statement yesterday, Charles Malan of the council's Cultural Study Group said care would be taken to ensure that no particular interests were promoted and no groups excluded from the survey.

Particular attention would be given where groups felt their views were being pushed aside.

Opinion surveys would be held among all population groups. Proposals on symbols and place names, monuments and sports symbols would be evaluated.

The research would form part of a comprehensive information process to make the public aware of the people involved. BDAY 11/2/93.

The investigations would start with an analysis of the current national flag, coat of arms, national anthem, plant and animal emblems, and public holidays.

A report would be completed by end-March, Malan said.

The HSRC's social dynamics department manager Lawrence Schlemmer had previously warned that the introduction of a new flag and national anthem could lead to conflict and that cultural symbols were rarely shared, Malan said.

Banks struggle to recover study loans as jobs dwindle

BDAY 11/2/93. 58

TRACY SCHNEIDER

COMMERCIAL banks were having difficulty extracting repayment on student loans as graduate unemployment levels escalated, industry sources said yesterday.

The student loan market was estimated at more than R1bn. However, banks would not give breakdowns of their market share.

An Absa Bank spokesman said many factors contributed to the student loan repayment problem: "It is becoming increasingly difficult for graduates to find suitable jobs, and even those employed tend to be paid lower real salaries. Added to this is inflation and the high cost of tertiary education."

FNB banking assistant GM Pat Lamont said the bank was experiencing "greater problems than usual" with student loan repayments, but sympathised with graduates who could not find jobs.

"We are as understanding as possible and bend over backwards to help students, dealing with each case individually," said Lamont. A three-month grace period was given after graduation and interest-only servicing was allowed to graduates making a concerted efforts to find employment. "It is in the best interest of students to go to their branch manager and put their cards on the table."

Wits University deputy vice-chancellor Prof Jerry Steel said a national loan scheme was necessary to aid students. "The situation among the lower middle-income groups is becoming critical. As the demography of the country changes it will become increasingly important to help fund tertiary education to the lower income groups."

He added the university was carrying a far greater amount of outstanding fees than previous years.

Wits SRC education officer Sy Mokadi said students should demand greater government subsidisation. "Banks' interest rates on student loans are too high. The loan becomes a burden on students who, through servicing interest, end up paying double for their education."

However, Steele said the private sector should not have to carry education expenses. "Banks should not be expected to drop interest rates. Rather, interest payments should be funded by the state."

Standard Bank regional GM for banking services Gus Warwick said the bank was "not unduly concerned" about student loan repayments at present because all loans were backed by a guarantor.

However, he said student loans were a short-term loss.

All Banks interviewed found an increased demand for student loans to Technikons.

"Spiralling university costs and the uncertainty of graduate employment have seen students opting for more practical, applied courses where the chances of employment seem higher," an Absa spokesman said.

Banks also found an increased demand for post-graduate study loans. They said students were opting to remain at university, earning higher qualifications, avoiding loan repayment and waiting for an improvement in the economy.

3rd party: 'More arrests'

(58) CT 11/2/93

JOHANNESBURG. — Investigators probing alleged widespread misuse of the Multilateral Motor Vehicle Accidents Fund (MMF) are investigating fraud and theft charges against a further 10 attorneys and two private assessors working on third party insurance.

The Office for Serious Economic Offences said yesterday it had prima facie evidence against them, and expected more arrests.

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The fraud and theft cases of three of the five attorneys, father and son Messrs R & D Smit, and Mr S C Mhinga, resumes in the Regional Court on March 23, the office said.

Two other attorneys charged with fraud and theft appeared in a Pretoria court on January 22. Mr N Bogoshi was freed on R100 000 bail and Mr D Janse van Rensburg was also freed on bail.

The cases relate to allegedly fraudulent claims by attorneys on behalf of claimants against the MMF. They allegedly defrauded the claimants. — Sapa

TAKING COVER

FM 12/2/93.

Travel Insurance is set to boom with government's commitment to scrap the fidelity fund operated by the travel industry. One of the first insurers to come out with a new policy is Travel Assistance, which for several years has marketed a range of products to travellers worldwide. The new policy bolts-on a new cover against default by a travel operator.

Rates are from R15 for every R5 000 of cover. Travel Assistance sales manager George Novis says travellers stranded as a result of a failure on the part of a travel supplier can claim all money laid out for the trip and get emergency assistance to enable them to continue the journey.

Last year government indicated it would consolidate all tourism legislation in one Act and take the opportunity to wind up the fidelity fund.

58

APARTMENTS (103) (58)

Looking good

FM 12/2/93

Property developer H Lewis Trafalgar — the largest sectional title developer in SA which is also active in the furnished executive apartment market — has bought eight apartment buildings for about R30m. The buildings comprise 250 flats which the company intends converting for sale under sectional title.

All are situated in major cities — Solace Place on Durban's North Beach; Ascot Court in Universitas, Bloemfontein; Avronne in Tamboerskloof, Cape Town; and Portofino in Sea Point, Cape Town. In the Johannesburg area the list includes Dunlo Court (renamed Richmond Place) in Richmond; Melrose Gardens and Wanderers Gardens in Illovo; and Juliana in Parktown.

H Lewis Trafalgar group MD Neville Schaeffer believes the flat market is experiencing renewed interest from investors and owner-occupiers for a number of reasons, including people moving to smaller units; less costly credit and opportunity taking. "The flat sector showed the best performance of any of the property sectors in 1992. Well-priced stock sold well. Our strategy is to focus on affordability and quick turnover."

Flat prices range from R55 000 for a bachelor unit in Richmond — like Universitas, an area convenient for hospital staff and students — to R205 000 and up for a large, three-bedroom flat on Durban's North Beach. Melrose Gardens and Wanderers Gardens two-bedroom flats in Illovo, are priced about R155 000. Melrose's three-bedroom flats sell at R195 000. The price of three-bedroom flats in Wanderers Gardens, and those in Juliana and Portofino are still undecided. ■

INTEREST RATES FM 12/2/93 (58)

Don't hold your breath

It wasn't entirely unexpected. With disproportionately high real interest rates and favourable economic indicators, it was inevitable that Reserve Bank Governor Chris Stals would yield to pressures to drop Bank rate.

This he did this week, as the *FM* predicted, by trimming one percentage point off the Reserve Bank's key rediscount rate to make it 13%.

But he had some comfort. Domestic inflation in December was down to 9,6% year-on-year, its lowest level in years, growth in the broad money supply M3 is well within the target range, and central banks in Europe and Japan had cut key interest rates.

Commercial banks were quick to react, reducing prime overdraft rate by a similar percentage to 16,25% and dropping mortgage rates to around 16%. One could almost hear the sighs of relief as hard-pressed borrowers eased their belts a notch or two.

With demand for credit rapidly diminishing (as figures on bank lending for the previous quarter clearly show), is the stage being set for further rate cuts this year?

The answer is almost certainly a qualified yes. Stals has problems — in particular controlling spiralling State spending and keeping the balance of payments in surplus to aid foreign debt repayments.

A SHRINKING LOAD

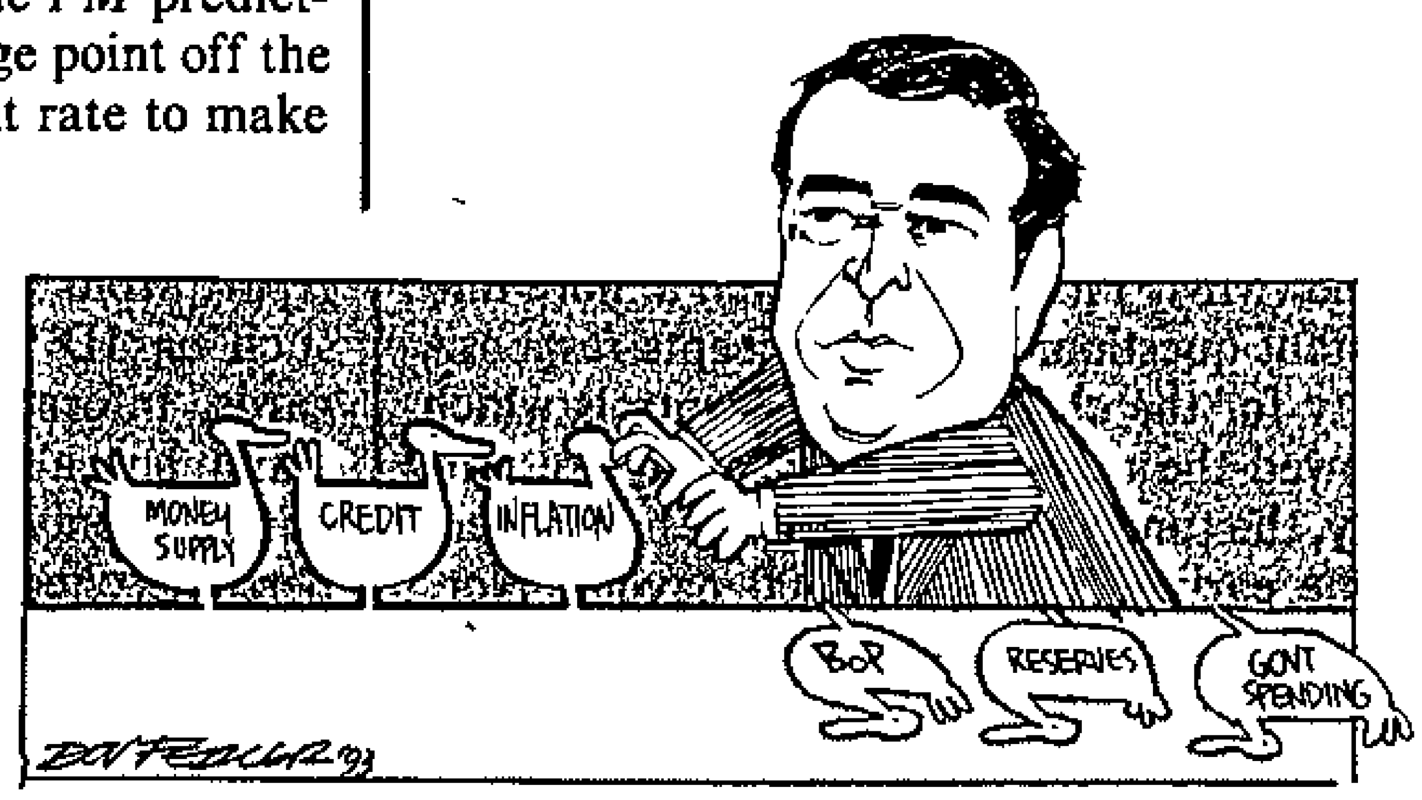
Monthly repayment on a R100 000 mortgage bond for 25 years

Change in mortgage rate	Rate %	Monthly repayment R
1/12/1989	20,75	1 739,32
16/4/1991	19,75	1 668,21
1/11/1991	20,00	1 678,45
1/3/1992	19,00	1 597,68
1/7/1992	18,00	1 517,43
16/9/1992	17,25	1 457,64
19/11/1992 ...	16,75	1 418,00
1/3/1993	16,00	1 358,89

Source: Nedbank Economic Unit

But, for now, Finance Minister Derek Keys is upbeat about getting a grip on State spending. And though they might push up inflation in the short term, higher indirect taxes widely forecast for his Budget should restrain demand further, which could give Stals more room to manoeuvre.

That assumes Keys's measures will work. Frankel Pollak Vinderine economist Mike Brown is cautious: "We seem to be in the early stages of a serious public debt trap. We'll only know next year whether we're getting out of it or deeper into it. Meanwhile, Stals may choose to sit tight."



Absa economist Dominick Sutton points to the worsening state of the gold and foreign exchange reserves: "Forex reserves are now only about US$900m. When you consider foreign debt repayments this year of about $1,6bn, this doesn't leave much scope for further interest rate reductions."

UAL economist Dennis Dykes says the declines in reserves and narrowing in the trade surplus have squeezed liquidity. "The result has been that market-related rates did not lead official rates as they did in the first three quarters of last year."

Stals is only too aware of these difficulties. He notes that the decline in reserves of R3bn in the past four months "has already had a restrictive influence on availability of domestic liquidity." If this continues, "it will militate against further reductions in interest rates, irrespective of the inflation rate."

Dykes says the picture could change if the agricultural import bill is reduced. "Unfortunately, capital outflows look likely to continue at the present rate until investment confidence returns — in other words, when a political settlement is reached."

Will inflation play along?

There's the rub. Lower interest rates can boost business confidence and create a more stable environment for investment. This, in turn, could help any political agreement reached.

But inflation might not play along. It should decelerate in the first quarter, especially as the lower mortgage rate should chop the housing index, which accounts for more than 20% of the Consumer Price Index. But indirect tax increases, announced in the Budget, would counter the downward trend. Stals has already said he will look beyond such one-off effects on the inflation rate in reviewing Bank rate.

Nedcor chief economist Edward Osborn, for one, believes real interest rates might not be as high as everyone thinks: "If you strip out of CPI the seasonal factor of fresh produce prices and exclude the mortgage component of the housing index, you get core inflation for December of 12,5%. This is not as healthy as the Bank would want."

A worrying sign is that short-term interest rates, notably bankers' acceptances and Treasury bills, which for most of 1992 tracked the underlying inflation rate after Vat, are now around 12%, above December CPI — indicating interest rates may have bottomed.

Also, lower interest rates could spark demand, not right away but in the next year or two, when Budget deficit strains could be the greatest.

Perhaps by setting new money supply growth guidelines at 6%-9%, from a previous 7%-10%, Stals is issuing a gentle caveat that the battle against inflation is far from over. ■

RESERVES

Forex fallout

FM 12/2/93.

It had been hoped that January would provide some relief for the gold and foreign exchange reserves after the previous two months of large declines. But it was not to be. The month saw a 3,9% running down of total reserves to US$2,9bn (R6,1bn). This marks a decline of more than 30% from August, when reserves peaked at $4,2bn.

The brunt of the decline was in foreign exchange holdings, which fell $100m or 10,1% from the end of December to $890m (R2,7bn). This has serious implications for SA's debt repayments for the year, which should total about $1,5bn.

The effect of the slide was less noticeable on gold reserves, thanks mainly to an increase in holdings of 1 393 oz to 6,6m oz. The Reserve Bank's valuation of gold holdings fell R3,89/oz to R911,24/oz.

Between the end of December and January, the London afternoon gold fix fell from $332,9/oz to $330,45/oz. ■

ABSA FM 12/2/93

Sudden departure

Bob Aldworth has come back before, but this time his long career in banking may finally be over. Absa, SA's largest banking group, dumped Aldworth as an executive director this week because of alleged financial "irregularities" that benefited him, not the bank.

continued

FM 12/2/93 (58)

MULTILATERAL MOTOR FUND

FM 12/2/93 (58)

Victorian systems

Inevitably, public anger at the fraudulent events that contributed to the R3bn deficit at the Multilateral Motor Vehicles Accident Fund (MMF) has overshadowed a more important question: who now accepts responsibility for the chaotic lack of controls which allowed the mess to develop? Not, presumably, the fund's director, because he was sent home early with a R363 000 payout. Nor, judging from previous Houdini routines by Cabinet Ministers, will either of the Transport Ministers to which the MMF reported.

The report released this week of (now retired) Auditor-General Peter Wronsley details astonishing ineptitude, and worse, from among the 11 insurance companies which were appointed as agents to the MMF. Eight of them were using handwritten Kardex systems to maintain control over thousands of claims. They, also, will avoid responsibility, except where the Office for Serious Economic Offences can produce a watertight case.

As expected, most of Wronsley's findings duplicate those in last year's report by Judge David Melamet. But as the fraudulent and theft elements are probably accountable in millions, not the billions which the fund achieved, he focuses more closely on the insurers' (agents') procedures, finding:

- ☐ In view of the large number of claims registered annually and unsettled claims carried over from year to year, Kardex is a bulky and clumsy system;
- ☐ There is no effective way of preventing claims being registered more than once. Apart from the fact that key information such as ID numbers does not appear on cards, information to ascertain whether a claim has already been registered can be obtained only by time-consuming and cumbersome checks of the cards;
- ☐ It is possible for claims to be registered at various agents, with consequential proliferation of costs;
- ☐ Since the fund pays agents advances on third-party claims without supporting vouchers, it is difficult to determine directly whether advances are based on real expenses and/or settlement amounts. That can lead to advances being paid before they are needed

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and paid to the claimant or attorney only a considerable time after receipt from the fund;
- ☐ There is a lack of accurate information on which actuarial calculations, and the calculation of guarantee amounts by the fund, can be based;
- ☐ Controls do not exist to prevent multiple payment of individual claims. So it is probable that the fund suffered far more from the inefficiencies of agents than from the fraudulent activities of a small number of doctors, attorneys and assessors mentioned both by Melamet and Wronsley. But Wronsley adds that many of the frauds could have been detected by agents themselves, had they been investigating claims properly;
- ☐ Signatures of claimants on forms, affidavits, powers of attorney and discharge forms were forged to the prejudice of both the fund and claimants;
- ☐ Photocopies of traffic accident reports were altered by the addition of names to the list of injured and dead and by changing the date of accidents;
- ☐ In some cases, birth, marriage and death certificates were forged;
- ☐ Medical reports sometimes exaggerated the severity and degree of injuries; and
- ☐ Touts at hospitals encouraged people who had been injured, for example, in a home accident, to consult a certain attorney who would handle their accidents as hit-and-run cases.

Control of the fund is now being removed from Transport and placed under the Financial Services Board, to which all other insurers have to prove their financial soundness. The insurance legislation is being amended so that the board can exempt the MMF from some provisions of the 1943 Act — for otherwise, there would be no option but to liquidate the fund on the grounds of insolvency. ■

Star 12/2/93

How fraudsters ripped off MMF

(58)

Parliament has been rocked by disclosures that the State-operated third party accident fund has run no less than R3 billion into the red. A list of scams grows longer and longer as investigations dig into skulduggery that took advantage of poor management control, reports MICHAEL CHESTER.

SCORES of doctors as well as lawyers and insurance assessors have come under suspicion as investigations dig into a vast maze of scams that have swindled millions of rands out of the State-operated third party accident fund.

The number of attorneys so far arrested on fraud charges climbed to 10 yesterday in the first swoop on suspects by the Office for Serious Economic Offences (OSEO). The first two of a string of insurance assessors under suspicion have also been arrested — along with an SA Police warrant officer charged with involvement in bribery and corruption.

OSEO director Jan Swanepoel believes the compilation of the rogues gallery has only just begun. He has already opened dossiers on no fewer than 114 alleged scams — and the list is expected to grow.

The dramatic extent of skulduggery with phoney claims has been laid out in a special report to Parliament by former Auditor-General Peter Wronsley that has disclosed that the Multilateral Motor Vehicle Accidents Fund (MMF) confronts a deficit of a staggering R3 billion.

The MMF — which draws its finances from the special fuel levy that is incorporated in petrol and diesel pump prices — handles all the claims for compensation for death or injury in road accidents that are not covered by normal private insurance policies.

"The fund was so hopelessly mismanaged that racketeering was inevitable," according to one insurance expert. "It has been riddled with inefficiency — and clever operators knew it and took advantage of it."

The shortcomings in management and controls did not escape the Wronsley probe, which has trotted out chapter and verse in the special report that has rocked Parliament.

In a single test audit, a stunning 2 206 cases showed double or even multiple payments to claimants, sometimes on sums running into hundreds of thousands of rands.

It was found that even the basic lack of signatures on claim forms had been neglected. Evidence of obvious tampering with police accident reports had been overlooked.

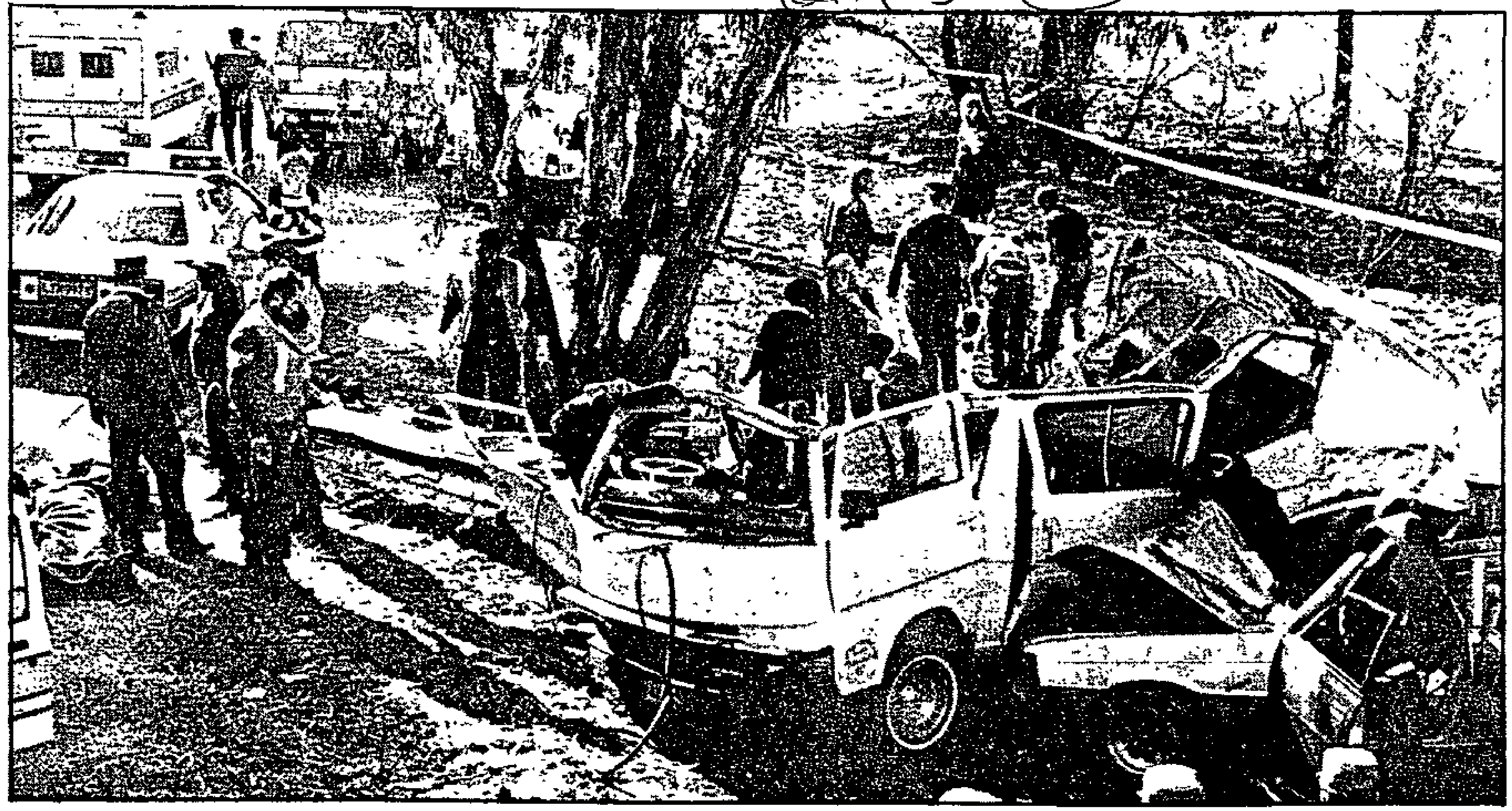
Staffers had accepted medical reports with grossly exaggerated accounts of the injuries claimed to have been suffered in road accidents.

Payments had been made on accounts from attorneys and insurance agents that were clearly inflated.

Because of inefficiency, payments on genuine claims had sometimes been unnecessarily delayed for as long as two or three years.

There was no limit to the imagination employed in swindles. In two specific cases, it was found scams had been devised at the hospital bedside. They exposed shadowy "touts" who make a special sideline out of fixing capers.

Two new arrivals at the casualty section of one hospital came in with broken legs — suffered in accidents at home. Shhh, they were told. Tell them it happened in a road crash.



Cashing in on the crash . . . attorneys, doctors and insurance assessors have come under suspicion as the list of third-party insurance scams grows.

With a wink and a nod, the touts whispered they knew attorneys who specialised in "arranging" hit-and-run claims on the MMF — and "there's cash in it for all of us . . .".

More dodges were run by rigging the alleged size of normal salaries that looked likely to be lost by disability caused by injuries — and for which compensation was claimed.

In one case, an insurance agent employed by the MMF blandly accepted as gospel that the salary of the claimant was R120 000 a year. Deeper probing found the actual salary, shown on income tax returns, was R30 000.

More skulduggery was uncovered when the assistant manager of the legal division of a large insurance company, who acted as an MMF agent, was transferred to a new job. His successor made a routine check through all the files he had inherited.

Seven out of 21 files showed evidence that MMF settlements on claims that had been handled had run as much as R1 238 000 more than warranted. All seven claims had been handled by the identical attorney.

The other 14 files? They had all mysteriously disappeared by the time a search was started for a closer look.

In another instance, an insurance agent had recovered a lump sum of R200 000 that was put down as fees paid to an outside assessor engaged to prove claims. But later investigations found no trace of actual work done by the assessor.

The list of suspects is not confined to insurance agents and assessors.

"Although agents' faith in the medical and legal professions seems in most cases justified," says the Wronsley report, "investigations reveal, regrettably, that certain legal and medical practioners have deliberately abused this trust."

No fewer than 114 cases of possible fraud and irregularities by them had been sent to the OSEO for deeper investigation:

- Signatures on affidavits had been forged — to the detriment of the actual claimant but the obvious benefit of middlemen.
- Photocopies of police accident reports had been doctored to change dates and add names to the list of casualties to create fictitious claims.
- In certain cases, even birth and death certificates were proved to be forged.
- Medical reports had exaggerated the severity of injuries — as shown when claimants were stated to be incapable of ever working again, meaning compensation for the permanent loss of income, but two years later were back in business as normal.
- Evidence that unscrupulous attorneys had grabbed the whole amount awarded on claims as payment of legal fees — leaving the claimants with nothing.
- Frequent collusion by key middlemen in handling claims looked obvious.

The Wronsley investigation uncovered the clues. Seven claims handled by one particular insurance agent had been settled for more than R3,8 million, when a fair total should have been less than R1 million.

As many as six of the seven had been handled by the identical team of attorney; doctor, actuary and insurance clerk.

It worked like this:

1. Following a minor accident, the injured motorist would approach a particular attorney, who referred him to a particular clinic.
2. An initial small claim would be lodged with the MMF — but shortly afterwards would be substantially increased by the attorney.
3. Detailed medical reports would be obtained to show the injuries were far more serious than first reckoned.
4. Next a huge claim was submitted, often inflated by the actuary, showing massive losses of earnings because of injuries.
5. Claims were settled by the MMF "with undue haste" — while the insurance agent sits mum about it all.
6. All payments are collected by the attorney, who plans who gets what out of the scam.

A recent special commission of inquiry has put forward a whole package of recommendations on a total transformation in the future management of the fund.

The MMF itself has also promised "remedial action".

Nevertheless, Wronsley still winds up his special report with a note of caution.

"In the circumstances, and mindful of the many problems/shortcomings still existing, it is at this stage not possible to determine whether a more permanent and affordable solution has now been found to ensure the continued existence of the fund on a sound financial footing." □

Bank thrives in niche market

TIM MARSLAND (58)

MERCANTILE Bank has doubled taxed income to R2m for the year to end December as interest income soared 158%.

The unlisted bank, which caters to niche markets, said net interest income rose to R17,383m from R6,956m.

Provisions for bad debts, expenditure and tax rose to R23,173m from R10,940m.

The bank said the rise in expenditure was a result of setting up new branches in Cape Town, Durban and Johannesburg. These costs should level off in the current year. BIDAY 12/2/93.

Total assets increased by 83% to R318m. It said good performances from its corporate finance, merchant banking and consumer finance divisions were behind the increase.

Safegro owns 49% of Mercantile Bank, Momentum Life Assurers 14,89% and the rest is owned by management and staff.

MD Derek Cohen said the bank's strategy of being a niche player in the corporate and consumer finance markets "remained unchanged in order to spread asset risk".

The bank was still in "formative stages of growth" and would continue to produce acceptable returns compared with the rest of the banking sector.

It was benefiting from continued rationalisation in the banking industry because clients preferred its better service. The bank's policy remained not to operate in the capital and derivative markets.

Dividends up at Liberty (58)

Business Day Reporter

COMPANIES in the Liberty fold have declared sharply higher dividends. Liberty Life's final divdend of 78c (65c) boosts the total payout for the year to December 1992 by 22,2% to 132c (108c), excluding August's special anniversary dividend of 100c. BD 12/2/93

Liberty Holdings' final dividend of 218c (174c) lifts the total for the year to December 1992 by 26,8% to 360c (284c), excluding the 300c special dividend.

Liberty Investors' final dividend of 12,9c a share lifts the payout for the year to February 1993 by 25,9% to 20,9c (16,6c) excluding special dividends of 17,5c and 30c in September and November last year.

(58)

INSURANCE FM 12/2/93

Battling bureaucracy (58)

Prestasi Brokers CE Jan Erasmus suggests that insurance companies should close their claims departments and privatise claims-processing procedures. He uses the privatisation analogy, "as to my mind, there is not much difference outwardly between the functioning of some claims departments and old-fashioned government institutions."

He recommends that insurers should consider hiving off their claims to independent claims management organisations. They should then, together with the brokers, contract these organisations to manage claims according to predetermined objectives, rules and budgets. Such a step, he argues, would be one of the few practical improvements in insurance practice in decades.

Erasmus put forward his views at a claims management conference at Midrand where he described some of the public grievances with current claims procedures, including inordinate delays in arriving at assessments, uninterest and even rudeness by claims staff and the delegation of the claims department to be handled by mostly junior staff.

Claims staff in general and, in particular, younger members, see their positions as a stepping stone to becoming marketers, inspectors or assessors. In general, claims staff want to spend as little of their career in claims as possible. Rarely, says Erasmus, does anyone enter insurance with the intention of pursuing claims management as a career. The public perception of claims staff, according to research, includes terms such as arrogant and apathetic. But when industry leaders speak out against the system they are declared mavericks (a reputation Erasmus imputes to himself). "This signals to the claims staff that they are doing a fine job and should not worry about the criticism or the public's perception of their service."

However, Erasmus's views will not find universal favour. Insurers believe they have conceded control of too many of their functions to brokers. Fedgen MD John Towsey says: "It is up to us to make our claims departments efficient and user-friendly and if we don't do that, we have not done our job properly." ■

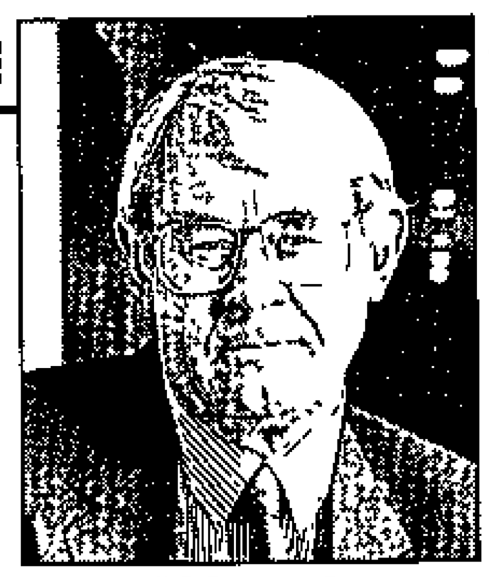
ABSA FM 12/2/93 (58)

Sudden departure

Bob Aldworth has come back before, but this time his long career in banking may finally be over. Absa, SA's largest banking group, dumped Aldworth as an executive director this week because of alleged financial "irregularities" that benefited him, not the bank.

continue

FM 12/2/93 (58)



Aldworth

Absa MD Piet Badenhorst says he's chagrined and disappointed with himself. "It is clear I made a mistake," he laments. Absa intends to press for restitution of the outstanding money and may pursue criminal charges.

It is understood that Aldworth (61), a member of Absa's inner ring of controlling managers since its formation in 1991, was involved in a transaction to redeem the indebtedness of a coal mining company in which he held a large interest, allegedly to Absa's detriment. The amount involved is believed to be about R400 000.

Aldworth also allegedly diverted funds due to an Absa subsidiary, apparently about R200 000, to a trust he controlled. The funds in question arose out of commissions and structuring fees that normally would have been due to Absa subsidiaries.

In addition, Aldworth — MD of Absa's Allied Bank — allegedly arranged for Allied to take over about R6m loans made by Cape Investment Bank (CIB) to a country house hotel in the eastern Transvaal, following CIB's liquidation in 1991. Apparently, Aldworth brushed aside all objections to the deal made by Allied credit department personnel. He later became a director of the hotel — a fact he withheld from Absa.

Aldworth could not be reached for comment.

This is the second time in 10 years that he has been ousted from a top banking job. In 1983, he lost his job as MD of Barclays National Bank because of business preferences he granted a close female friend, Professor Sandra van der Merwe. ■

SBIC FM 12/2/93 (58)

Bearing offshore costs

It may be partly a result of the hype around Standard Bank Investment Corp's offshore shopping spree and R650m rights issue but SBIC's 17% increase in EPS was significantly less than the market was expecting.

Even after taking into account the expected dilution in earnings from the rights issue, scrip dividends offer (withdrawn for the 1992 financial year-end after being introduced two years ago) and issue of shares for the purchase of ANZ Grindlays African banking operations, analysts were predicting EPS growth of at least 20%.

The additional 16,4m shares issued during the 1992 year dampened the strong 22,4% increase in attributable income. Extraordinary items totalling R200,4m (1991: R19,7m), most from financial rand rate write-offs for last year's foreign acquisitions, taken into the accounts at the commercial rand rate, diminished the retained surplus from 1991's R328m to R210m.

Setting up the offshore operations boosted

continued

FOX FM 12/2/93. (58)

DILUTION DAMPER

Year to Dec 31	1991	1992
Net interest inc (Rm)	2 035	2 583
Total income (Rm)	3 302	4 091
Operating expenses (Rm)	2 508	3 039
Attributable income (Rm)	510,7	625,0
Earnings (c)	507	593
Dividends (c)	160	187

operating expenses. The 21% ıcrease in total expenses is down from the 26,4% advance at the 1991 year-end. Staff costs, up 21% to R1,4bn, have increased only 2,7 percentage points on 1991. "Other operating expenses" are up 6,4 percentage points on 1991 to R1,26bn.

Group MD Eddie Theron says establishing offshore operations was costly, compared with setting up shop in SA, especially when it came to the reconfiguration of domestic electronic systems, training and development of new products.

SBIC is cagey about when and by how much foreign investments will start paying. Theron says they are expected, "in the long term" to at least match the rates of return the bank gets from its SA investments. Investors would not expect anything less. The bank does not want to speculate on how much might come from foreign investments this year.

With the rights issue and steady flow of new capital from the scrip dividend offer, SBIC is well capitalised. The capital:asset ratio is 10,3% — one of the best in the industry — compared with about 8% a year ago.

Cash holdings stand at R6,68bn, nearly 40% more than a year ago, providing a comfortable capital cushion.

Theron says the funds have not been earmarked for anything in particular but are there to take advantage of any opportunities which could arise.

The bad debts provision, though still high at R380,5m, is only 0,5% up on the previous year. Standard Bank MD Mike Vosloo says the commercial bank's exposure to debts is widely dispersed, with fewer numbers of "very big bad debts" but volumes are up in the R100 000-R1m range.

At R79, the share cannot be considered cheap. But even after gaining 35% over the year, it could still have some way to go, linked as it is to Liberty Life's share price, which has appreciated sharply in recent months. The share certainly seems to have little risk at present and is unlikely to be excluded from institutional portfolios.

Shaun Harris

FM 12/2/93. **ECONOMY & FINANCE**

INSURANCE FM 12/2/93

Battling bureaucracy

58

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(58)

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Mercantile Bank doubles net profit

Star 12/2/93

(58)

Mercantile Bank MD Derek Cohen expects continuing growth in volumes and profitability after the bank doubled net income to R2 million in the year to end-December.

In only its third full year of operation, net interest income rose from R7 million to R17,4 million while operating income jumped from R10,9 million to R23,2 million.

Cohen says the bank is still in its formative stages and will continue to aim, through profit growth, to achieve returns in line with the banking industry.

Total assets rose 83 percent to R318 million as a result of sparkling performances by the corporate finance and merchant banking activities and by consumer finance division Bifco.

The bank's strategy of being a niche player in the corporate and consumer finance markets remains unchanged in order to spread asset risk, which is now enhanced by the geographical spread of its branches. — Sapa.

Liberty increases dividends

Star 12/2/93

Finance Staff (58)

Final dividends for the year have been declared by three listed companies in the Liberty Life group.

Liberty Life Association has declared a final dividend of 78c, up from 65c in 1991. The total dividend for the year, excluding a 100c anniversary dividend, is 132c.

Liberty Holdings has declared a final dividend of 218c for a total of 360c, a 26,8 percent increase. The Liberty Investors final dividend of 12,9c brings a total of 20,9c for the year, a 25,9 percent increase.

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Are you deaf?

This article was contributed by Annica Foxcroft, marketing director of Interman, a Johannesburg-based language and literacy training organisation.

Many avoidable company difficulties are caused by poor communication. There is often an inability to ask the necessary questions; to be clear and proactive; to formulate concise statements of instructions; to solve problems; and to read, write, count and think effectively — in the target language.

What is needed is a language-based communication training programme, geared to equip workers to handle and process all communications. To do this cost-effectively, an analysis of the various categories of communication should be done, including all the concepts, facts and rules necessary for the appropriate response.

This is a holistic approach and ensures the even development of the trainee. It integrates thinking and communication skills, language skills (comprehension, speech, reading, writing), situational interactive skills and comprehension of critical business and technical concepts.

Performance improvements can be measured — but more potent indicators are the sort that make your foreman say, "I can't believe the improvement!" or the trainee say, "I want to thank you so much for training us. Before I was like a blind person but now I can see."

A pharmaceuticals company started a six-week strike because the shop stewards didn't understand management's response to their request for a wage increase. Management had in fact agreed to the requested wage increase — but wanted to stagger it over a six-month period and then to top it off with a substantial bonus as a reward for accepting the delay. The shop stewards had seemed to agree to this — but a strike occurred immediately in protest. Despite many subsequent meetings between management and the shop stewards, negotiations reverted stubbornly to the original request.

Our investigation revealed that the shop stewards were unable to comprehend the terms management was using to explain the offer — percentages, interest, accumulation and simple arithmetic. They lacked the language and communication skills to clarify the problem — and so kept carrying an erroneous tale to the disgruntled labour force.

The MD, who was on our Zulu course at the time, was asked to call a meeting of the labour force (not just the shop stewards). At this meeting, he read the speech — in Zulu — which we had carefully structured for him to explain his offer. There were no equivalent words into which to translate many of the concepts, so it was an interesting exercise in communication. But the result was astonishment, then eager acceptance and an end to the strike.

A holistic language course builds in concepts where they are absent in the mother tongue. This is a much bigger step than merely teaching people to read out words with no comprehension. However, being able to communicate with labourers in their own language at least bridges the immediate gap.

Huge costs in downtime, conflict and wastage occur daily as a result of simple communication problems, based on the fact that languages are not simply mutually translatable.

Another example: the company announces a productivity improvement exercise; the workforce institutes a go-slow. Why? Because there is no term for productivity in any black language, simply because the concept does not exist. This means that the worker is likely to acquire a distorted understanding of the English term — for instance, "productivity" translates into "retrenchment." The worker has observed this as a consequence of a previous "productivity" drive — so now he's going slow to prove that there is enough work for everyone.

There is no African language word for "quality" as in quality management and quality control — and think of the emphasis being placed on that word today. The labourer links "quality" with the image of a policing action — probably because also he doesn't comprehend the related concepts of "competition", "client", "profit" and "business".

Train the worker in his mother tongue and it's difficult to explain new concepts with a language that is not designed to do this. Train him in English and he doesn't understand the concepts, can't read or write effectively, often can't handle basic calculations or conventions of communications in a work/training situation. This can seriously affect training in jobs, safety, technical skills and general performance and interactions.

Another key aspect of communication success is relevant thinking skills. These are often poorly developed for the linear, sequential, highly analytical situations. You will see this affecting the issuing of directions and instructions, as well as feedback, reporting, questioning, explanations, presentations, study and comprehension.

This daunting array of skill deficits is largely caused by poor education. But it is also caused by the huge problems of inadequate language-based communication training — as distinct from "teaching", which is done in schools.

Professional language training equips the trainee to negotiate the block or filter effect of the following key components of language:

☐ Thinking skills as expressed by the language;

☐ Cultural values dictating interactive norms;

☐ Cultural norms affecting business behaviour;

☐ Language grasp, manipulation and conventions of speech; and

☐ Literacy level relative to skill level needed.

It would be interesting to work out which of the above factors act as distortion filters on the following communication: "Complete this job application form, listing your jobs in reverse order and state length of employment and status achieved." This form will probably remain blank and be handed in like that.

Consider the safety sign indicating "Emergency Exit". It is in international sign language, not writing, so it should transcend language and literacy barriers. But it shows a stick figure running within a red circle, bisected with a slash. The common shopfloor understanding of the sign is: "Do not go that way, you will lose your hands, face and head!"

These misconceptions represent avoidable costs which most businesses are simply budgeting for.

SHOPPING CENTRE DEVELOPMENT FM 12/2/93 (58)

Liberty makes the peace

It wasn't so long ago that Liberty Life Properties MD Wolf Cesman was vowing he would win his battle to obtain the rights to enlarge Sandton City by an extra 23 000 m². He made the promise after developer Stocks & Stocks had successfully objected to LLP's transferring its shopping rights from its Sandton Towers hotel site to the main Sandton centre.

Had LLP been given permission to make the rights transfer, the move might have knocked Stocks' proposed Sandton Square shopping centre development — across the road from Sandton City — off the drawing boards for good.

The Sandton Square site has stood undeveloped for four-and-a-half years. Stocks bought into the development about 18 months ago, becoming partners with Grinaker. Earthworks began last year and in December Stocks bought Grinakers' share of the project.

At the time Cesman made his bid to transfer LLP's shopping rights (*Property*, May 29 1992), Stocks told the *FM* it would take the Section 60 committee decison on appeal, if necessary, to block LLP. Now the former competitors have made their peace. Last week they announced they were both part of a consortium that is to develop Sandton Square. Liberty Life has 50% of the venture. Stocks & Stocks and the Transnet Pension Fund share the remainder.

Stocks is delighted with the tie-up. "We have the pre-eminent retail developer in the country as our partner. Its wealth of experience is an enormous benefit to the development of Sandton Square."

What brought about the change of heart? According to Cesman, LLP reapplied to Sandton Council, this time for permission to transfer 15 000 m² of retail rights, the bulk of which would go towards the expansion of its cinema complex on Sandton City's basement level into a fully fledged entertainment centre.

Seeing no direct threat to Sandton Square — nor to the proposed retail spine between Sandton City and the new Village Walk centre envisaged in the area's masterplan — Stocks & Stocks did not object. Instead, it approached Cesman to see if Liberty Life would be interested in joining the Sandton Square consortium.

The gambit paid off. By bringing LLP onside, not only did Stocks finally find the financial backing it needed for the new centre — a problem which was partly responsible for long delays to the scheme — it also enabled LLP to get a slice of some exciting new retail action in its back yard.

"The two centres complement one another," says Cesman. "Sandton Square has a totally different retail function, where the emphasis will be on theme retailing, services and offices. Sandton City still retains the major retail stores such as Edgars, Woolworths, Checkers, John Orr's, Hyperama, Stuttafords and so on".

What has become of Stocks' plan to develop a budget hotel on the Sandton Square site? According to Cesman, Liberty Life is committed only to the first phase which includes a retail, services and office component.

Stocks & Stocks MD Bart Dorrestein confirms that, while the site does have hotel rights, these will be developed only if another hotel proves viable. Obviously, this decision will have to weighed against market demand. Besides the Sandton Sun and Sandton Towers, Hilton Hotel has expressed interest in developing the nearby JCI site, a new Garden Court is going up in the vicinity and


Cesman


Dorrestein

there are three City Lodges in the greater northern suburbs. Still, Stocks is confident its site "is the best in the area for another hotel."

Meanwhile, if LLP does obtain permission for the 15 000 m² extension to Sandton City — there have been no objections — its new cinema-entertainment complex will go ahead soon. It will probably mean an increase in the number of cinemas from nine to 15, the addition of a Showscan theatre to give movie-goers a 3D experience, video arcades, theme bars, coffee shops, soda fountains and restaurants. These are facilities that both Sandton City and Sandton Square will benefit from as the bridge that links the centres starts at the Sandton City end right above the cinemas.

□ LLP's Greenacres centre in Port Elizabeth, "the largest shopping centre in the eastern Cape," this week begins a R10m refurbishment programme to be completed in September. This will mean not only an additional 1 500 m² of shopping and marginal changes to the tenant mix, but, as in the refurbishment of Eastgate and Sandton City, improved entrances, mall flooring and ceilings, public areas, the creation of mothercare centres and enlarging some tenants' space. ■

Star 13/2/93

Give state houses to residents, forum urges

MICHAEL SPARKS

AN INTERIM government should give all state-owned houses to the people living in them, a Nedcor/Old Mutual economic think-tank has proposed.

The proposal was one of many to emerge from a report by the think-tank, which comprised participants from business, labour, politics and organisations promoting various aspects of economic policy. The nine-month study was chaired by Nedcor director Colin Adcock.

A total of 22 proposals were put forward as actions which could be implemented in the short term, while also stimulating the economy.

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The group believes that the transfer of state-owned housing to its current occupiers would have a dramatic political effect because the beneficiaries would, for the first time, feel they were receiving tangible results from political change.

It would also create wealth for people through newfound access to private property, while also being seen as the solution to the rent and services boycott which has strangled many black townships.

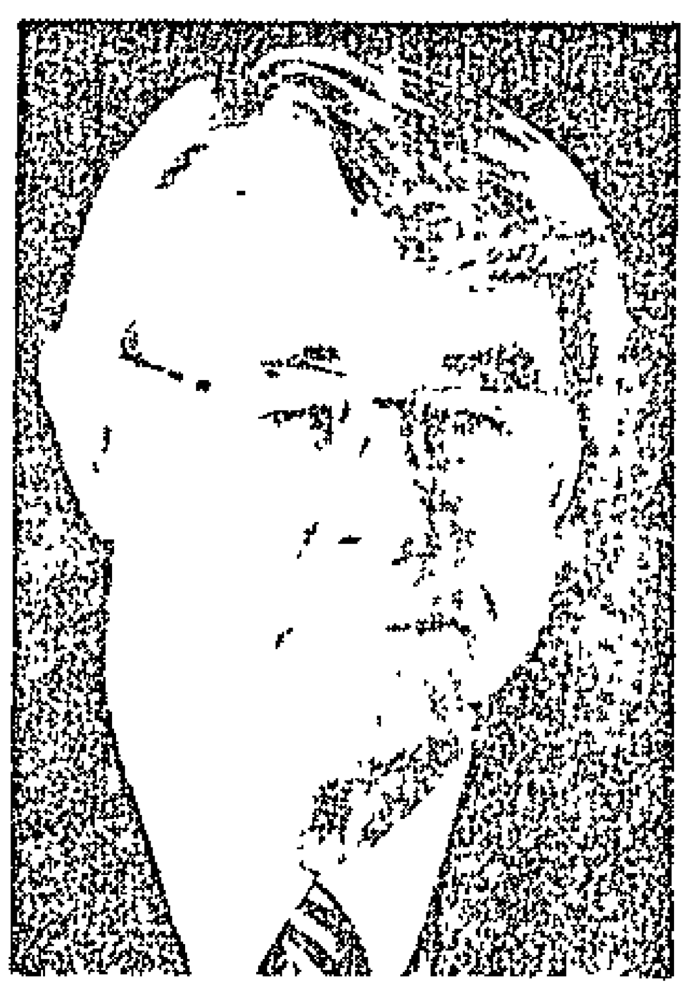
While it was acknowledged that this proposal would not solve any problems for those without housing, the benefits were still seen as significant.

As part of a plan to increase investor confidence and bring in much-needed foreign investment, other proposals included:

- A Reserve Bank — with constitutionally guaranteed independence — which would control money supply and interest rates.
- A fiscal commission to redistribute wealth through the Budget.
- A restructured, more accountable civil service.
- An office to ensure efficiency in government and prevent waste.
- Restructured media and security forces, because of a perception among the majority of the population that these lacked credibility.
- A strong need to promote exports, not as an end in itself, but as a means of earning the foreign exchange needed to finance the foreign goods necessary for economic growth.
- Education was seen as a vital area which needed attention, especially the development of technical skills to make people employable.
- The promotion of informal markets.

The sad demise of banking's Uncle Bob

WMail 12/2-18/2/93.



Tragic wunderkind Bob Aldworth

It is a sad irony that Bob Aldworth has hit the headlines more often because of his injudicious personal life than for his considerable achievements in banking.

By **PAUL STOBER**

IT was with a sense of regret that the banking world learnt of the circumstances surrounding the dismissal of Amalgamated Banks of South Africa (Absa) executive director Bob Aldworth this week

A banking analyst summed up the general sentiment "Aldworth was very personable and pleasant I don't know what possessed the man I think it's all very sad."

Finance Week, the magazine which broke the story behind Aldworth's demise, described his sacking as "a human tragedy".

Aldworth was fired from the board of Absa and all its subsidiary companies on Monday, after he admitted that he had authorised Absa to renounce "all Ab-sa's benefits of Allied Bank Property Trust (ABPT)"

Aldworth owed ABPT- a subsidiary of Absa -- R414 353 He incurred the debt when a holding company, Derwent Coal cc, in which he had a 30 percent interest, borrowed money from Allied Bank and then stopped trading

It is ironic that Aldworth, who was regarded as a wunderkind in the uniformly bland banking industry, has hit the headlines more often be-cause of his injudicious personal life than for his considerable achievements in banking.

"His personal business decisions were weak, but as a banker he was fine," said the analyst, who knew Aldworth when he was managing director of the former Barclays National Bank.

Aldworth joined Barclays Bank in 1952 and worked his way through the ranks until he became the first South African to be appointed chief executive of the bank — in 1976, at the relatively young age of 44

When he came to the helm, the banking industry was mired in a recession Barclays had lost millions of rands in bad loans to property companies and had over-extended itself by buying control of the vehicle-financing company, WesBank

Aldworth's widely recognised skill as a commercial banker helped change the bank's fortunes He led Barclays into the home-loan market, oversaw the computerisation of the bank and gave his name to Barclays' omnibanks (BoBs) In 1981, Barclays made an operating profit of R125-million

Late the following year, the Barclays board ended Aldworth's tenure when his personal relationship with former Wits Business School academic Sandra van der Merwe became public knowledge At the time, Van der Merwe had been awarded a million-rand contract with Barclays to act as a marketing consultant (58

For the next 10 ~~years,~~ Aldworth stayed on the fringes of the banking industry and dabbled in property development. In late 1984, he married Marie de Villiers, founder of Elite Homes and Estates, which operates in Johannesburg

Despite the circumstances leading to his dismissal from Barclays, Aldworth's talents remained respected in the banking world and two years ago he was retained by United Building Society (UBS) to advise it during its hostile takeover of Allied Bank Allied managing director Kevin de Villiers bitterly opposed the takeover and when UBS won, he was replaced by Aldworth

"Allied had a problem, and Aldworth was a good nuts-and bolts banker That's why (Absa chief executive Piet) Badenhorst brought him in," said the analyst

In an affidavit this week, Aldworth said he had resigned as a member of Derwent and a second company — for which he had approved an Allied loan of R8-million — shortly after he was appointed to the Allied board

In March 1992, he was named executive director of marketing for Absa's corporate banking division, a position he held until his dismissal on Monday.

During the past two years, which saw his rapid rise to the boardroom of South Africa's biggest banking group, Aldworth struggled to conquer throat cancer Last week, it was confirmed that he has Parkinson's disease

In his affidavit, Aldworth accepted that he owed Absa R414 353 but said: "I am not in a financial position to be able to pay that amount to Absa I do not have any assets of my own"

Aldworth insisted he had not intended to walk away from the debt

"My intention was to pay . out of my profit share from Absa, or from exercising my rights in respect of Absa's share incentive scheme," he said

When Absa's share price did not perform according to his expectations, he realised that he was unable to repay the loan.

A Commercial Crime Unit spokesman said yesterday that a docket had been opened after Absa officials had handed the matter over to the police.

Old Mutual in R272m legal battle

By JEREMY WOODS

THE Supreme Court in Cape Town is set to host a R272-million David and Goliath battle between Old Mutual and a close corporation, Profcare. (58)

Profcare alleges that Old Mutual pulled out of an underwriting arrangement for a health care insurance product and later used the product in one of its own health care schemes. S Times

In a statement of claim lodged at the Supreme Court this week, it is alleged that a medical care package developed by Deon Scheepers for Profcare was to be underwritten by Old Mutual and Old Mutual Health Care Insurance. (RUSS) 14/2/93.

The papers say that, despite an agreement, Old Mutual pulled out of the underwriting deal days before the project was to be launched.

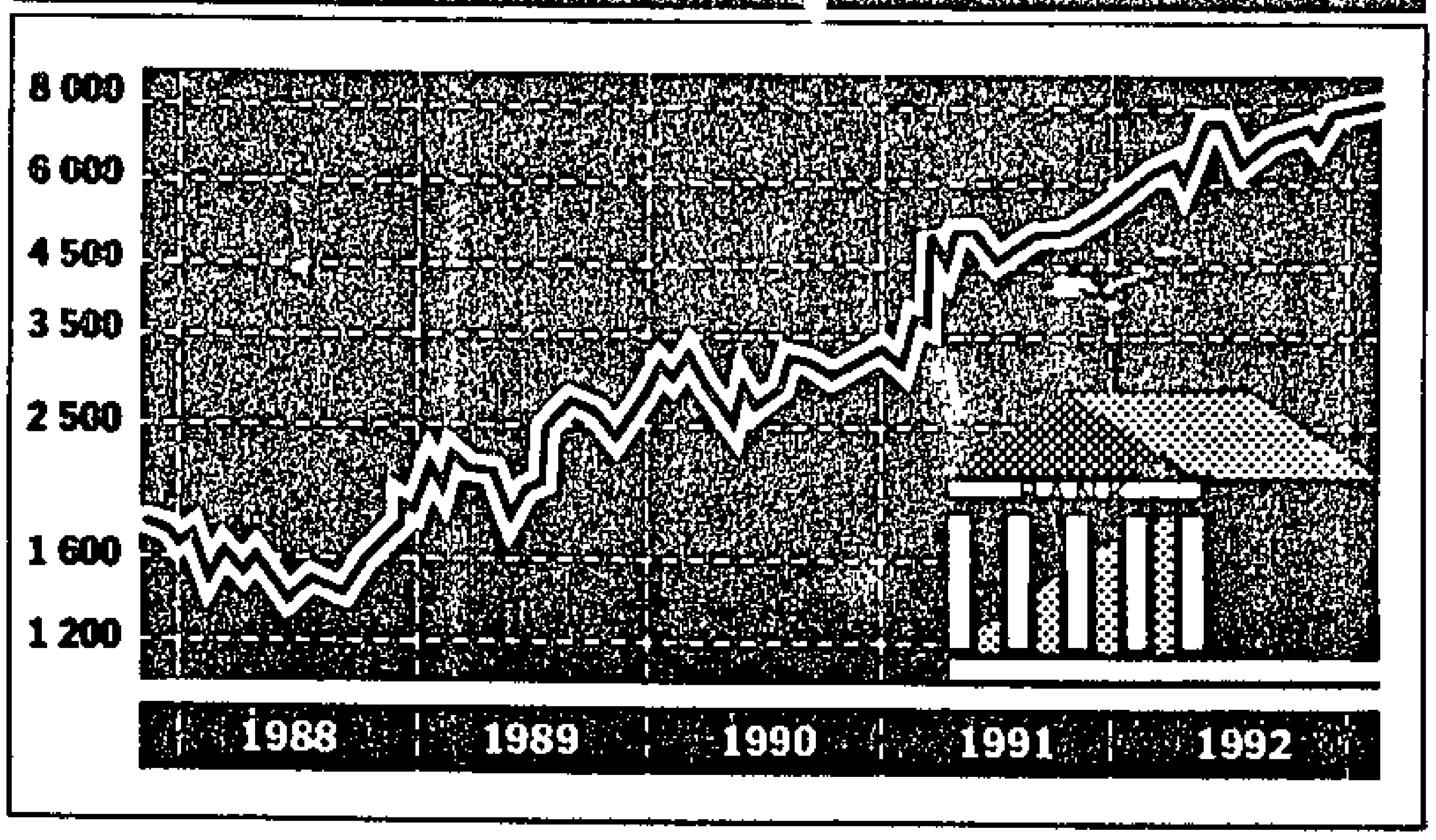
Furthermore, when the Old Mutual's health insurance business launched its Flexicare product some momths later, it is alleged that one of the components of the scheme was the policy developed by Mr Scheepers for Profcare.

Dr Thys Oosthuizen, senior legal adviser for Old Mutual, says: "The summons was served on the Old Mutual and referred to the society's legal advisers with the instructions to defend.

"The necessary steps are being taken. Inasmuch as the matter is now before the court, it would be inappropriate for Old Mutual to comment any further."

4 1993

STANDARD BANK INVESTMENT CORPORATION



No standard reply on margins

(58) S/Times (BUSS) 14/2/93.

DIAGONAL STREET by JULIE WALKER

HANDSOME margins were the order of the year for Standard Bank, which reported a 17% rise in earnings a share to 593c for the 12 months to December

Yet at a press conference, chief executive Eddie Theron was reluctant to say exactly how big the margins were, or even to give the average cost of borrowing to the group.

He said that it was hard to work out, but that margins were above what is normally achieved — something I thought contradictory to his earlier comment that the benefits of falling interest rates had been passed on to the customer.

Executive Mike Vosloo accused me of being a socialist for raising the issue — he said that a return on equity of 16% hardly showed exploitation.

In spite of reported poor demand for credit, group advances rose 22% to R51-billion Home loans had the best rise, up 49% to R11,9-billion.

Mr Vosloo said Standard had around 15% of the South African home loan market and upwards of 22% in the personal banking market These existing customers were natural targets to become mortgage borrowers, too.

The rise in advances also took into account the two banks Standard bought during the year — British merchant bank Brown, Shipley and the African banking network of ANZ Grindlays. A branch of Standard Bank was also opened in London

All these developments did not come cheaply — operating costs were up 29% at R3-billion. Mr Theron said it was hard to distinguish between one-off establishment and ongoing operational expenditure.

His view is that the offshore investments must match a return on equity rate of 16% to 20%. I asked him if this could be done in an environment free of inflation; he said yes, in rand terms over time

Stanbic wrote off R200-million in goodwill and premium paid for its foreign investments through the finrand

More money had been put in to domestic reconfiguration towards a more customer-orientated banking service, so the 29% rise quickly became a more manageable figure.

Bad debts continued to be "relatively very high" at R380-million — about 13% of total operating expenses. Other than one or two notable liquidations, such as TGH, to which Stanbic had an exposure, incidence of bad debt was widely spread.

Mr Vosloo said provisions against advances of between R100 000 and R1-million, such as made to middle-sized businesses, had been particularly high.

Exposure to the agricultural sector had been reduced in recent years, but it remained a perennial problem.

On a consolidated basis and following its rights issue, Standard Bank group is capitalised at 10,3% — well ahead of the statutory 8% by 1995. This will allow it to grow.

In reply to a question, Mr Theron said there was still plenty of room for further rationalisation on the domestic banking scene. "Are you buying Nedcor?" "Not this morning."

Stanbic shares put on R3 to R83 after the result — by far the best rating in the sector.

Following the issue of shares in the R650-million rights offer and in part payment for acquisitions, the scrip dividend has been scrapped Stanbic will pay 187c, yielding 2,3%.

● In reply to my snipe last week about the R15 bank charge on a £10 cheque, Mr Vosloo advised me to open a bank account in Britain, deposit it there and spend it when I go on holiday

I wonder how the SA Reserve Bank feels about that?

French connection

BASIL READ has exchanged one foreign investor for another. French multinational construction firm Bouygues bought a quarter of the company a week ago from German textile industrialist Claas Daun, who in turn had bought it from the Old Mutual a few months ago.

Basil Read was one of the worst shares on the JSE last year, falling from 110c to 33c after making a loss of 64c a share. It has suffered from never being really well capitalised and there were significant changes in management a year ago when managing director Dave Wassung made way for Chris Jarvis.

Bouygues currently has R4-billion worth of business in Africa and sees Basil Read as a partner for exploring opportunities in the region. Bouygues executives arrived in SA on Thursday for negotiations with Basil Read, now trading at 70c.

PAT

Looki[ng] for mirac[le] in the gloom

JCI chairman Pat Retief says that only a miracle can help his group maintain earnings for the year to June 1993

Announcing the interim results of the mining and investment group — down 7% — Mr Retief said he did not anticipate improvement in commodity prices, since the world broadly remained in economic recession.

Referring to the extremely difficult conditions both globally and domestically, Mr Retief described the 6% decline in attributable earnings of R156-million as a reasonable performance.

JCI was essentially a platinum house, accounting for a third of its 1992 earnings, but income from its flagship, Rusplats, fell 50% in the six months to December.

JCI's gold mines had improved and could still do better, but there was only so much that could be done.

Diamond income fell 19%, coal disappointed and CMI carried on making losses because of other countries' sales of ferrochrome at distress prices.

For the first time, income from JCI's non-mining investments outstripped that from mining during 1992 Mr Retief said this emphasised the importance of a spread of investments.

For the rest of the year, he expected Premier to be steady if not spectacular because of pressure on margins

Mr Retief also fielded questions on the company's purchase of 10% of precious metal refiner Johnson Matthey JCI and Minorco have jointly formed Newco to buy 20% of the 38% stake offered by Charter Consolidated, the other 18% to be placed by international finance houses.

The purchase price for 20% is £188-million. JCI will pay an initial £48-million cash out of its existing offshore resources and from offshore borrowings. The balance is payable in three years or sooner, but the method has not yet been determined

Mr Retief speculated that JCI might consider listing its foreign operations but declined to enlarge on what they were. Such a vehicle could be used to expand internationally, something almost impossible out of South Africa given the new restrictions on finrand funding of offshore purchases.

Although JCI-Minorco would be by far the largest single stakeholder in Johnson Matthey, Mr Retief admitted that he would have liked to buy more He was limited by affordabilty There is room for co-operation, since Johnson Matthey and JCI already have a good relationship.

He admitted that JCI could have bought other offshore acquisitions on higher initial yields, but expected Johnson Matthey to continue to perform. In addition, he would not want it to have fallen into enemy hands. Two [di]rectors will join the Matthey board.

● News from [the World] Bank underscores [Mr Re]tief's gloom on [commodity] prices.

During the fourth [quarter] of 1992, metal and commodity prices [fell on] average 7,3%, [...] World Bank price [index for] those products to an low in real terms [...] lowest level in six [...] dollar terms

Negotiated coal [prices for] 1993 are $2 to $4 lower [than] 1992 Commodity p[rices col]lapsed partly [...] former Soviet U[nion in]creased supplies to Europe and Japan, [some]thing Mr Retief did [not ex]pect to dry up quick[ly].

No surprises for public eye

(232) (58) S/Times (BUSS) 14/2/93

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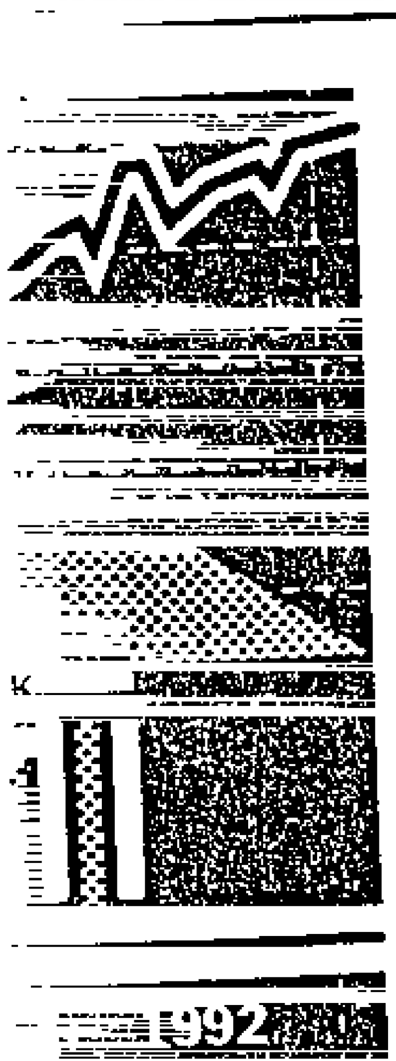

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PAT RETIEF

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enemy hands. Two Newco directors will join the Johnson Matthey board.

● News from the World Bank underscores Mr Retief's gloom on commodity prices.

During the fourth quarter of 1992, metal and mineral commodity prices fell by an average 7,3%, pushing the World Bank price index for those products to an all-time low in real terms and to the lowest level in six years in dollar terms.

Negotiated coal prices for 1993 are $2 to $4 lower than in 1992. Commodity prices collapsed partly because the former Soviet Union increased supplies to Western Europe and Japan, something Mr Retief did not expect to dry up quickly.

SIMPLY BRILLIANT

JULIE's Sunday Smile (with apologies to colleague Gwen Gill) goes to Murray & Roberts for its employee report.

It spells out the operations in simple terms, such as defining customers to mean turnover and that suppliers are like partners. Take suppliers from turnover and come up with value added. This is divided among staff, bankers and governments. The shareholders also get a mention — dividends for risks taken.

M & R also outlines its policies on health care, money for old age, training, housing and its role in the community.

Simple, yet brilliant.

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posit it there and spend when I go on holiday.

I wonder how the SA Reserve Bank feels about that?

No surprises for public eye

S Times (Buss) 14/2/93 (58)

EVEN though RMB Holdings' deputy chairman GT Ferreira himself wondered whether the JSE had gone over the top with his group's share price at R16, the latest results do nothing to contradict the market.

Mr Ferreira admitted at a press lunch a week ago that he had been apprehensive about having his group in the public eye — not so much that reporters could scrutinise but for the increased pressure to perform or watch the share price tumble.

Listed in November, RMB Holdings has jumped from R10 a share to R16. This week's interims to December come as no surprise — earnings a share up by 23% to 30cps and the dividend by 24% to 10,5c. The yield is thin at below 2%.

Effective from July 1992, RMB Holdings took control of pedestrian life office Momentum, Rand Merchant Bank being made a subsidiary of Momentum. Momentum's price has also soared, from R3 to R8 in a year, currently 760c.

RMB Holdings reports that the bank did well; Momentum puts the bank's contribution as part of investment income, which rose only 2% to R306-million. The income from Rand Merchant Bank is a small component (around R20-million) of total investment income.

Momentum's Neil Krige says lower interest on the cash holdings, a decrease in dividends and increased benefits contributed to the slower growth.

Momentum's premium income climbed by 48% to R622-million in the six months to December, largely as a result of single-premium transactions unlikely to be repeated. Growth in recurring income was modest.

Net taxed surplus disclosed to shareholders doubled to R19,6-million — due mainly to Rand Merchant Bank's contribution.

Aldworth against the wall

58

S/Times (Buss) 14/2/93.

BOB ALDWORTH: 'Integrity and ethics deteriorating'

BOB ALDWORTH — broke, ill and depressed — can expect no mercy from Absa. Every one of the fired bank chief's dealings during his two years with the group is being scrutinised by an internal audit team.

The findings of the team, which spent several months piecing together Mr Aldworth's financial affairs, formed the basis of a complaint handed to the Commercial Branch of the South African Police this week.

By CHERILYN IRETON and JEREMY WOODS

The former Absa executive director and once golden boy of South African banking was fired earlier in the week after he admitted to concealing a personal loan of R414 000 through book transactions.

More than one instance of alleged fraud is being investigated by the police.

The amount involved in questionable transactions is believed to exceed R500 000

Mr Aldworth has been under investigation by the bank for several months

In November he was moved sideways — from being the head of Absa's corporate banking to a marketing position — to allow investigators to complete their probe into his affairs

The investigation now also includes Cape Investment Bank, where in the mid-80s Mr Aldworth was chairman of the credit committee responsible for policy and risk management.

Pressure

A letter in possession of Business Times from Corbank chief Laurie Korsten asks Mr Aldworth to head up this committee

Under investigation is a R6-million loan made by CIB to the Farmhouse Country Lodge Mr Aldworth later became a director of the company.

It is understood he personally received a raising fee of R50 000 In addition, CIB also received a raising fee

But when Cape Investment Bank went into liquidation, pressure was applied to Farmhouse Country Lodge and Mr Aldworth to repay the loans by the liquidators of CIB A new loan was raised by Allied Bank and repaid to CIB

Mr Aldworth admits he never disclosed to Absa that he was a director of Farmhouse Country Lodge

But while at Allied he admits to have "bullied through" a R8-million facility for the company after a fellow director had turned down the request

In his affadavit signed last week, Mr Aldworth says he had already resigned as a director of Farmouse Country Lodge when the incident occurred

Mr Aldworth could not be traced after his dismissal was announced on Tuesday He was not at his Craighall, Johannesburg, home when Business Times visited and there were rumours that he may be in London But friends suggest he is in Johannesburg and is too ill and shocked by the week's events to travel.

The former Barclays National Bank managing director, now 61, planned to move to the UK with his family at the end of this year when his contract with Absa was up

Former colleagues believe years of being out in the corporate wilderness, several questionable property deals and ill health were to blame for Mr Aldworth going broke, a move which was behind his apparent "error of judgment"

"Bob is naive but is transparently honest and his integrity is complete. I have never known him to lack honesty," says one long-standing colleague.

Bob on greed and fraud

What Bob Aldworth can teach us about corruption. Comment by CHERILYN IRETON

"THE image of our business world is poor .. integrity and ethics are concepts which are deteriorating ... the time has arrived for every well-meaning South African to take active steps to put an end to these harmful practices".

The words are Bob Aldworth's, recorded in 1989.

They mirror the sentiment in business circles this week after Mr Aldworth admitted to using Absa funds to settle a R414 000 debt for which he was personally liable.

When Mr Aldworth penned those thoughts as chairman of Corbank just over three years ago he was very concerned about "unprecedented levels of crime and social decadence".

So concerned that much of his chairman's statement was devoted to the ethical decay threatening South African business.

He wrote: "South Africans are moving away from old values to a new value system Rampant greed — exemplified by insider trading, unauthorised dealings in financial rands, bank robberies, the incidence of bribery and corruption, tax evasion, sharp business deals — has become the accepted norm.

"Nowhere is this state of moral decay more evident than in the fraudulent depletion of fiscal and foreign currency resources through circumvention of prevailing legislation as well as corrupt appropriation of civic resources and misuse of positions of authority."

Mr Aldworth's crime, whether fraud, misuse of his own position as head of Allied or just bad judgment, is still to be determined by the courts.

But already his admission has further bruised the credibility of the corporate world.

Particularly wounded are business leaders who have been trying to sell South Africa as a business centre of integrity — one apart from the rest of Africa.

They are already fighting the frightening reality that in the past few years South Africans have stolen — or tried to steal — more than the country earns.

This is shown by the fact that the police are investigating attempted fraud cases which exceed gross domestic product.

'Evils'

Now business faces the prospect that a big fish in the corporate world is enmeshed in the growing net of fraud and corruption.

Add public sector fraud and waste and the country's image will soon outrival that of Africa's fraud capital, Nigeria.

What can be done?

Corrupt ideologies breed corruption. The search for a just society should provide the basis for people to focus on earning an honest living rather than stealing to get by or maintain their living standards.

In the words of Mr Aldworth:

"Government, the business community and all interested bodies should unite to formulate the strategies required to rid the country of these evils."

MMF 'milked' by government

S Times (B4SS) 14/2/93. 55

By TERRY BETTY

THE third party insurance fund is running at a deficit because the government has been milking it to boost the fiscus.

Automobile Association (AA) managing director Peter Elliott says the fund would be in a healthy financial position had the full amount been given to the Multilateral Motor Vehicle Accidents Fund (MMF) as stated.

The levy was increased from 4c to 6c a litre in 1992.

"The veil of secrecy surrounding the oil industry in SA makes it impossible to determine how much fuel is sold and therefore the real income due to the MMF."

But conventional wisdom says R130-million is raised for every cent of levy per litre sold, which means the MMF should have received about R541-million in the year to April 1992. It only got R489-million.

Mr Elliott, who sat on the MVA (formerly MMF) advisory and investment committees when they incorporated the private sector, says the government is using the R3,25-billion "shortfall" in reserves as a scare tactic to make the fund look as though it is bankrupt and pave the way for an increase in the petrol price.

He says to create a R3,25-billion fund over the next three years would require a 10c increase in the pump price of fuel.

Mr Elliott says the reserve is a thumbsuck figure, based on the actuarial assumption that 60 000 accidents have not been reported in addition to the 51 000 cases reported but not yet settled.

Election

He fears the motorist will build up this huge fund only to have it appropriated by the state for other purposes.

He says SA used to have a National Road Fund which was also financed out of a fuel levy and had R3-billion in reserves. The PW Botha administration "appropriated" the fund on April 1 1988 to give public servants a pay rise just before election time.

"They decided then it was government policy not to have dedicated funds."

Willem Swanepoel, who has been seconded to the MMF as acting director, says the MMF has free reserves of R180-million, which will provide the cushion for the R50-million rand deficit expected this year.

The deficit has been aggravated by fraud and poor control. Former auditor-general Peter Wronsley apologised in a special report on the MMF for not reporting earlier the shortcomings of the management, as well as for not adequately emphasising the deteriorating state of the fund.

Five of the last 18 years have shown a deficit and these have been adequately met by the free reserves and it is stated that the fund should operate on a "pay as you go" principle with a small reserve to make up the shortfall in years of a deficit.

"There is little reason it should not continue to operate as such. The state pension fund and Eskom also operate on that principle."

Mr Elliott says treating the MVA fund as an insurance company is wholly inappropriate, as it is a social compensation scheme. "It is a specific tax to compensate victims."

The implications of placing the fund under the ambit of the Financial Services Board are that the Registrar of Financial Institutions would exercise control, nullifying the effect of having members from the private sector sitting on the MMF board.

It also means the fund would have to create huge unnecessary reserves.

Healthy

"Insurance companies need reserves to fund expenses already incurred but not reported or paid in case of a catastrophe where the fund ceases to operate, but the MMF will never run out of funds as fuel will always be consumed."

Mr Swanepoel says the fund is able to trade back into a healthy position if it merely cracks down on fraud and tightens management control.

The Wronsley report shows only 3% of claims handled by agents were checked and this was always months after the claim had been paid. Of checked claims, a whopping 25% had gross inaccuracies.

Of the hit and run accidents handled by the MMF itself, only 1,02% were inspected.

The shoddy level of auditing is reflected in the fact that audit fees averaged R65 000 in 1990 and 1991, which is very low for an organisation with a turnover exceeding R500-million.

Because financial reports are sketchy it is impossible to calculate the value of the fraud.

Office for Serious Economic Offences attorney Johan Visser says more than 100 cases are being investigated. Five attorneys have already been charged on 114 counts of fraud totalling R7-million.

The office is looking at another 10 attorneys, as well as assessors and anybody else connected with the irregularities.

Mr Swanepoel says the MMF is in for a big shake-up. The inspectorate is to be dramatically stregthened, a new computer system is to be introduced in May and the system of allocating business to the different agents is to be revamped.

INTERNATIONAL BANKING

Banking on SA's future in the world

(58)

ST Times (Buss) 14/2/93

SOUTH AFRICAN banks embarked on a major expansion drive last year, buying up foreign banking operations and establishing offices abroad.

The catalyst was SA's reacceptance into the international community as political reform gained momentum. The aim has been to better service clients as new markets and opportunities opened up to South African businesses.

A major focus of the drive has been Europe, ahead of the single European market. But some South African banks have rapidly increased their presence in Africa even though foreign banks are generally shying away from this continent.

Much new activity took place in southern Africa, where local banks are expected to become a vital force because of their sophistication and advanced technology.

To cater for SA's growing trade relations, South African banks have also been rapidly increasing their correspondent relations with banks throughout the world.

The expansion, however, has been contary to world trends. International banking has been contracting over the past few years. Many foreign banks have their own problems at home and are focusing internally and are consolidating.

A Business Times SURVEY

As international trade opens up for South African manufacturers and exporters, so too does an associated tier of international banking and financial services. Because of South Africa's isolation these services were, for obvious reasons, not fully exploited by our local market. But now South Africans are represented strongly at trade fairs the world over and, with the gradual renewal of foreign investment in South Africa, the role of the international financier is coming into its own. ZILLA EFRAT reports

Cold

Nonetheless, the drive has enabled local banks to tap into the latest international developments and fast advancing technology after years of isolation.

Even during the years of sanctions and in spite of the debt moratorium, banks like ABSA and Nedbank continued to operate previously established subsidiaries in Britain.

Other major banks, such as Standard and First National, were left out in the cold when their parent companies left SA. However, both have been quick to take advantage of changing circumstances.

In May last year, Standard acquired the Isle of Man and Jersey interests of British merchant bank Brown Shipley Holdings. It also became the first SA bank to be granted a banking licence from the Bank of England since the debt moratorium and opened a wholly owned subsidiary in London in September.

Two months later, Standard bought the African operations of ANZ Grindlays Bank, a move that gives it representation in Zimbabwe, Zambia, Kenya, Uganda, Zaire, Ghana, Nigeria and supplements its bank in Botswana, also established last year.

Standard's latest move has been to open a new bank in Antananarivo, Madagascar, called Union Commercial Bank, in partnership with Mauritius Commercial Bank.

It says these moves are part of its intention to be a major regional forcein international banking and further strengthen its capacity to facilitate trade flows in Africa.

The new African operations will form part of Standard's Africa Banking group, which co-ordinates its interests in Namibia, Swaziland and Botswana.

FNB also jumped to action as SA began losing its pariah status. It was the first bank to move into Africa when it bought the branch network of BCCB bank in Botswana towards the end of 1991.

Benefit

In March last year it initiated a rights issue to raise money, some of which would fund its internationalisation drive.

In November, FNB announced that it had made an offer to buy UK merchant bank Henry Ansbacher Holdings. The Ansbacher group will form the nucleus of FNB's European operations and help it re-establish its international capabilities. Ansbacher, in turn, will benefit from the flow of business from FNB's client base.

Investec Bank also strengthened its position in Europe by acquiring Allied Trust Bank in London from Barclays Bank in September. Investec already has a 30% stake in Amsterdam-based banking group Integro, and its unit in Zambia will be expanded to develop business in Africa. Directors say about half the group's income is now dollar based.

Nedbank — which has been operating its London office since 1906 — has opened a representative office in Taipei. It will augment its subsidiary in Hong Kong, which it established in 1984.

Nedbank says its trust company in the Isle of Man, which is jointly owned by Syfrets and UAL, is expected to provide a springboard for further growth of financial services in the European Community.

The bank has also been establishing close working relationships with correspondent banks in key African countries.

No open door for SA in Europe

58

MOVES to create a single European financial market will affect the future expansion of South African banks into Europe.

They could also result in a thorough European Community (EC) investigation into South African banking law, says Deneys Reitz partner, Patrick Jackson.

The EC aims to create a single financial market which allows the free movement of money and capital. Its financial institutions and citizens will be able to operate or bank wherever they choose within its borders.

Before January 1 1993, each member state set out its own requirements for supervising and establishing banks and credit institutions. A bank with a branch in another EC state had to comply with that state's regulations.

'Passport'

However, each EC state has had to give effect to an "EC-wide single passport" by recognising other states's regulations.

Jackson says a bank authorised in its home member state will be able to offer most services freely throughout the EC without further authorisation.

The guiding principle will be home member state control. If, for example, a bank is allowed to administer securities at home, then it can do this throughout the EC — even if one state does not permit banks to offer this service.

The converse also applies.

If a bank is not permitted to offer credit reference services at home it will not be able to do so in other EC states, even if these states allow their banks to do so.

Jackson believes the measures aim to create an incentive for each EC state to allow its banks to engage in as many banking activities as possible.

The result is expected to be indirect harmonisation and greater EC-wide competitiion in the banking market.

This has significant implications for non-EC banks, such as those South African banks wishing to operate within the EC.

Jackson says subsidiaries of a non-EC bank authorised to operate within the EC before January 1 are entittled to the benefits of the EC-wide single passport.

The position is, however, less favourable for non-EC banks, who may now wish to set up a subsidiary within the EC to take advantage of the EC-wide single passport.

While there are as yet no clear definitions, Jackson says the EC will seek to ensure that its banks operating in a non-EC country are given the same competitive opportunities as domestic banks.

If this is not the case the EC will limit or suspend authorisation of subsidiaries from that country operating in its member states.

It may also block the acquisition of shareholdings in EC banks by companies from that country.

Jackson says it is conceivable that future expansions by South African banks into EC states could lead to an investigation into South Africa's banking law and regulations.

The ability of EC banks to be competitive in South Africa under its banking and exchange control regimes will also come under scrutiny.

If, after such an investigation, a subsidiary of a South African bank obtains authorisation in an EC member state it will be able to claim the benefit of the EC-wide single passport.

Base

Jackson says the test of reciprocity will not apply to branches of South African institutions that seek authorisation in a member state.

As these branches will not obtain the benefit of the EC-wide single passport, they cannot be used as a base for expansion within the EC.

If a South African bank wants to expand its European branch network its branches will be subject to the individual regulations of each member state.

EDESA plants roots in SA

ST Times (BUSS). 14/2/93. (58)

EDESA, a privately owned development finance corporation for sub-Saharan Africa, has set up shop in South Africa because it expects the country to become a significant catalyst for private sector development in southern Africa.

EDESA group co-ordinator Victor Viseu says SA's regional advantage is its established financial, communication and transport networks as well as its African knowhow.

Drawing on its 20 years' of financial engineering experience in developing projects, EDESA aims to help South African companies maximise their efforts in the region.

At the same time it will facilitate the transfer of their know-how and technology to the rest of Africa.

Viseu says that, throughout Africa, development funds have been historically available but not disbursed because of a lack of sufficiently attractive projects.

Many of these projects have been financially viable, but their proposals were not structured in a way which bilateral and multilateral agencies find acceptable.

EDESA, which stands for Economic Development for Equatorial and Southern Africa, has worked together with development agencies in in Europe and the US for two decades.

These have been partners in its more than 40 projects in 21 countries in sub-Saharan Africa.

Projects

The private development finance corporation, which is based in Zurich, Nairobi and Harare, was formed in 1973 by a group of internationally well-known companies.

Its 25 shareholders are from eight different countries and include prominent international banks, Daimler Benz, Ford, General Motors, IBM and Marubeni Corporation. Anglo American, De Beers, Murray & Roberts and Richemont are also stakeholders.

EDESA's main activities are project finance, consulting and trading. Its projects concentrate on export orientated and import substitution sectors and range from cut flowers in Kenya to leasing companies in Zimbabwe, Malawi and Botswana. Its involvement in industry includes a beer bottle plant in Burundi and a steel pipe plant in Kenya.

In its peak, its lending was more than \$25-million, but this has slowed because of the prevailing uncertainty connected to debt rescheduling efforts.

Its selling organisations around the world sell African handicrafts. In Swaziland it has established a network of 1 500 rural suppliers who service its export company, Mantenga Craft.

In addition, EDESA won one of the largest World Bank projects in Africa, the restructuring of Ghana's financial sector, and is short-listed to restructure Angola's.

INTERNATIONAL BANKING

Foreign banks wait for the gap

S/Times (Buss) 14/2/93.

FOREIGN banks are not rushing to establish any meaningful presence in the South African market

A number of major foreign banks have opened representative offices in SA There has also been a trail of international bankers visiting for "holidays in the sun" and, even, some more formal exploration trips.

But local analysts believe it will be some time before foreign banks make a strong impact on the local scene

While SA holds the attraction of higher interest rates, the country's political turbulence is a major disincentive. Poor market conditions are also limiting the potential for any volume growth in business at present

Spokesman for the Association of Corporate Treasurers of Southern Africa (ACTSA) technical committee, Dave Mitchell, says: "Bankers are traditionally conservative people who prefer to avoid political uncertainty

"I would not expect many foreign banks to formalise their presence in SA in a big way until an interim government, at the very least, is in place"

One banking analyst with a notable stockbroking firm says it could take even longer Many banks worldwide have significant profitability problems and capital shortages to deal with in their own countries

Their focus is internal and they can be expected to spend the next few years consolidating existing operations, Mitchell says

"These banks will start expanding only after things improve at home and this is likely to happen in a major way only in the late 90s"

Local analysts add that foreign banks are generally shying away from Africa and they currently put SA in the same low growth/high risk league as the rest of Africa

If they do want to move into Africa when they start expanding they will not be able to ignore SA This is because the majority of Africa's top 10 banks are to be found in SA, he says.

When foreign banks do come to SA they are likely to focus on merchant banking, project finance, trade finance and the derivatives market

ACTSA expects international banks to concentrate on the two main areas where their high-tech skills can be most effectively applied

One will be to arrange the structure and syndicated finance for larger projects, especially development initiatives with some overseas funding and cross-border projects

Another will be corporate treasury management as a science, an area where many South African corporates are still fairly unsophisticated in practice.

Foreign banks are not expected to make great inroads into the commercial banking sector, as this area is already well covered by SA's major banks

The analyst says "The only way to move into commercial banking may be to buy an existing bank, but most banks are already tied to the larger financial groups"

The Bank of Taiwan recently opened up shop in Johannesburg, and Societe Generale entered SA by buying the International Bank of Johannesburg in 1991

Boost

In addition, several of SA's smaller banks have moved to strengthen their position by making strong contact with banks abroad, says Mr Mitchell

An example is DuroLink, which gained international status through a recent tie-up with British-based Chartered WestLB

Many of the foreign banks with representative offices in SA are also expected to apply for banking licences in the future when business volumes warrant it

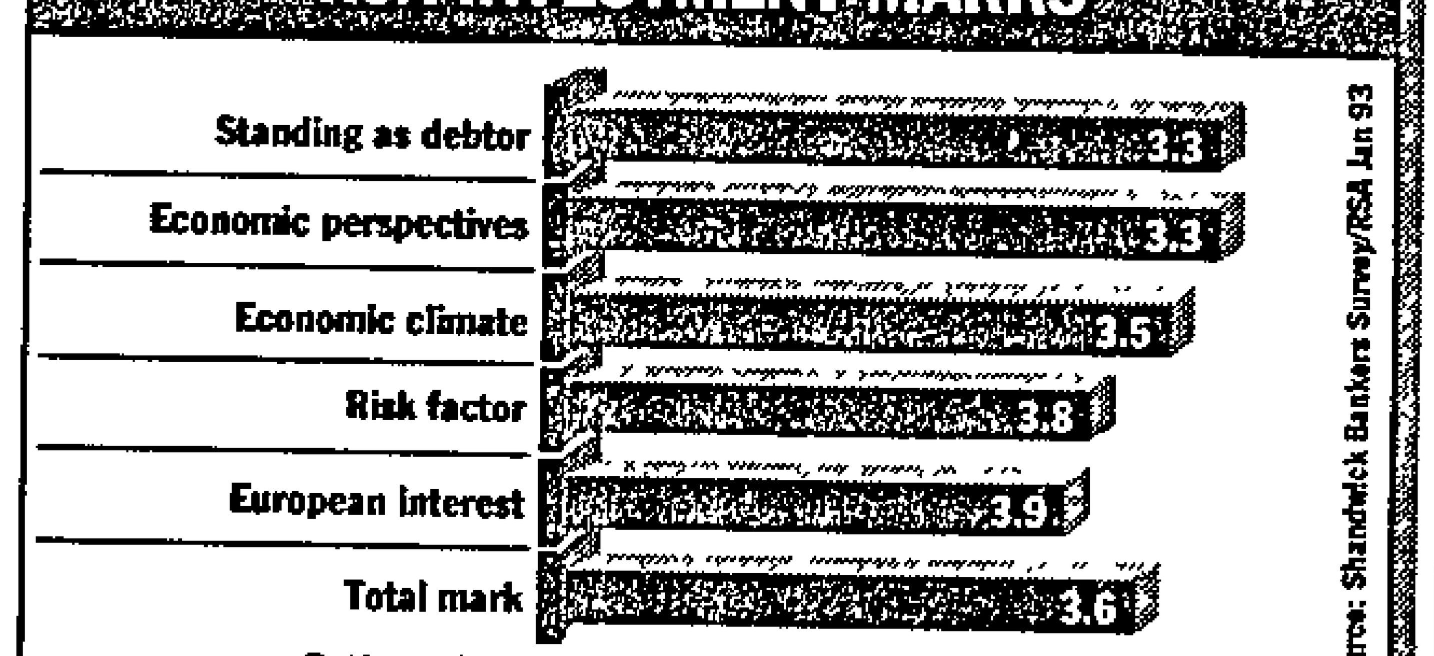
Local banks, however, appear to view potential international competition as an opportunity and not a threat This is because they believe foreign banks will bring in new capital and boost foreign trade, generally stimulating the economy and enlarging the pie for all

ACTSA welcomes any renewed foreign participation in the local financial industry Its chairman, Marius Ferreira, says "South African corporations will benefit from increased competition as they search for the best financing packages

"In turn, this will stimulate the local banking sector to present more innovative products and a greater selection of funding alternatives"

While the recent mergers and acquisitions in the South African banking sector have been necessary, ACTSA believes these have reduced competitiveness to the corporate sector

RSA INVESTMENT MARKS



Ratings: 1 = extremely good, 6 = extremely bad

COULD DO BETTER

SOUTH AFRICA's poor rating by European bankers as an investment environment highlights an urgent need for the country to better market itself abroad

This is the view of Volker Stoltz, managing director of Shandwick Europe, the public relations group which polled the views of 41 leading European bankers with exposure in southern Africa.

He says the European banking and investment community underestimates SA's real economic strengths. "A cloud of political uncertainty is obscuring real investment opportunities in SA."

While politicians need to send the right signals, much of the burden of marketing SA abroad will have to be shouldered by the business community. Stoltz says this is because investors tend to be more convinced by bankers and business people than by politicians The London, Frankfurt and Zurich bankers gave SA a score 3,6 as an investment environment on a scale where one is "extremely good" and six is "extremely bad"

British bankers are more optimistic about SA's future. On a five-year horizon their score improved to 2,9. German and Swiss bankers, however, are more pessimistic, with a rating of 3,9. Some 74% of the bankers rate SA as a moderate investment risk at present, with 22% describing the risk as high. Only 4% see the risk as low or extremely low

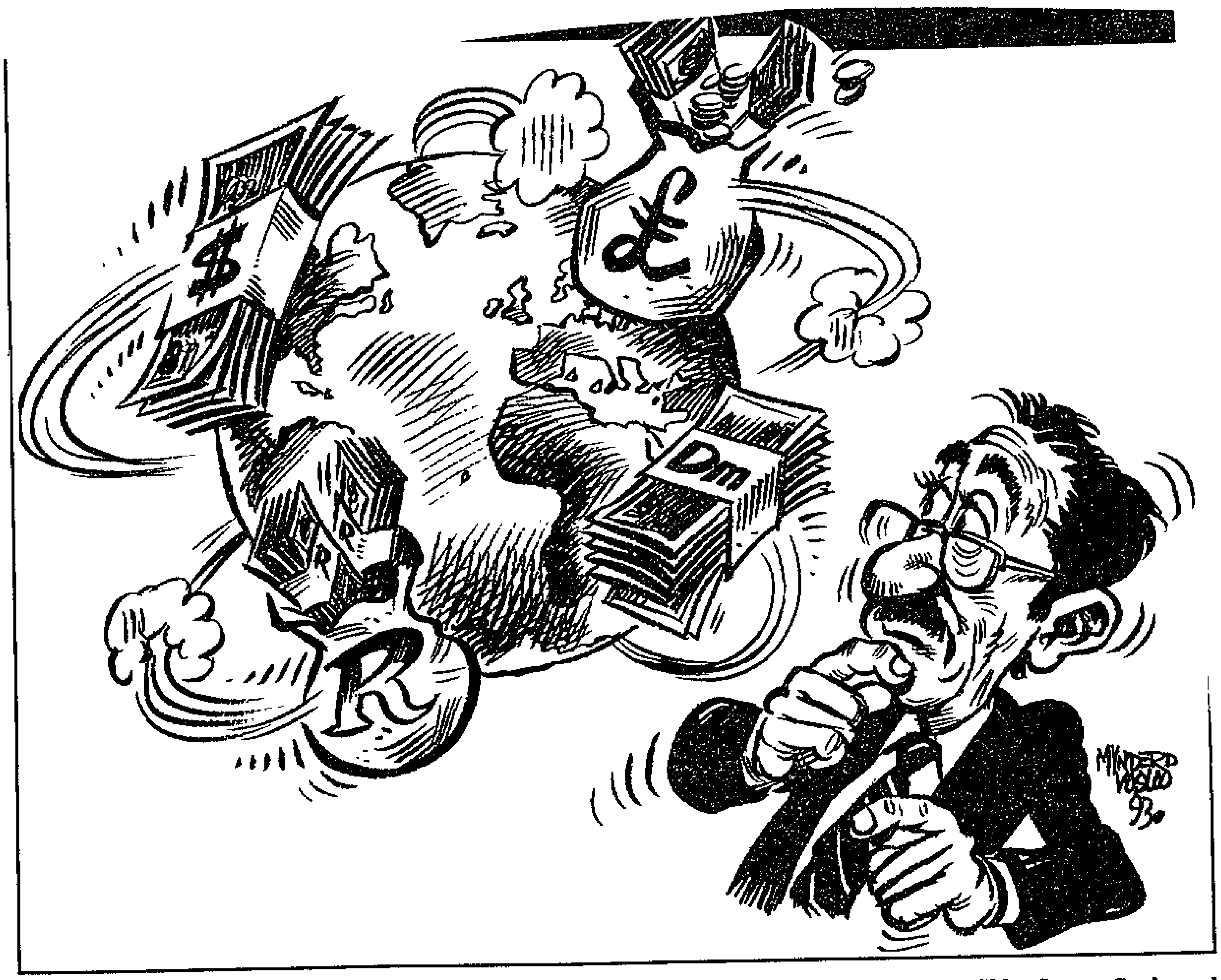
The poll also found that 57% of the bankers ascribe their risk assessment of SA to negative political circumstances. Only 8% cite negative economic prospects.

The bankers assess European investors' level of interest in South African stocks, bonds and loans as low — 3,9 on a scale of one to six. But 51% of the banks surveyed intend to be financially involved in SA's future economic growth.

Because the poll's focus was on southern Africa, bankers were also asked to give ratings for Angola, Botswana, Mozambique, Namibia, Zambia and Zimbabwe. Stoltz says the region generally received poor scores. Botswana narrowly edged SA out of the top regional spot with a rating of 3,4. Angola and Mozambique elicited the most negative scores of 5,5.

The bankers appear to have lost confidence in Zimbabwe, which received a rating of 4,6. Of note, British bankers were less optimistic, giving it a score of 5,1.

A Business Times SURVEY



IT beyond 2000

S[Times (Buss) 14/2/93. (58)

INFORMATION technology (IT) has been the factor that has singly contributed the most in shaping banks around the world.

It has become one of the most signficant sources of a commercial bank's costs, a report named "Banking to the Year 2000" by international auditing firm KPMG says.

When a large proportion of a bank's operation is in handling low value/high volume commoditised transactions, managing IT has become managing the business.

The KPMG report says attitudes to IT have changed on the sides of both bankers and suppliers, mainly to bankers' advantage.

"Banks used to spend money on new technology. They are now learning how to invest," says Joseph de Feo, director of IT and service business at Barclays Bank in London.

"Through the 80s people really had little idea of how technology could help them, but they felt that they had to do what everyone else was doing."

In the past, computer companies made equipment which the banks could either buy or leave. But bankers have turned the tables and refused to be carried by the flood of technology.

In a market where the computer industry has been hard hit by the recession, banks are applying their weight as large customers and insisting that technology conforms to and reinforces their business.

IT groups are now looking at what their banking customers want. A number have even signed long-term agreements to produce equipment tailor-made to a bank's needs.

In the same way, banks around the world are increasingly using technology and IT strategies to meet the needs of their ever more demanding and sophisticated clients.

Clark & Tilley South Africa managing director Ken Marriott says banks are striving to deliver cheaper and more effective products to the man in the street with a higher level of service.

ATMs, Smart Cards and voice recognition systems are just a few examples of the new technolgies emerging to achieve this.

Attention to customers' needs is set to continue. According to KPMG, client demands are expected to remain the greatest external influence on the future shape of a bank beyond the year 2000.

Advances in the communications industry have resulted in an on-going internationalism of financial markets. Money is travelling around the world faster and faster.

Marriott says traditional data communication methods are being replaced by satellite links and this, in turn, is breaking down geographic barriers even further.

We must adapt to international trends

ST Times (Buss) 14/2/93.

(58)

INTERNATIONAL banking is set to alter so dramatically that it will soon be unrecognisable from its present form, says Association of Corporate Treasurers of Southern Africa (ACTSA) chairman Marius Ferreira.

He says that the traditional business of banks — lending — will change. Their future rests on how quickly they will adapt into broking and providing services to the financial industry.

"In many countries the banking sector has been protected by regulation from competitive pressures for years," says Ferreira.

Funds

"Deregulation has exposed the cumulative excess capacity resulting from this phenomenon and is a major contributor to the enormous losses suffered recently by banks around the world."

Ferreira cites the increasing ability of non-financial institutions to provide a wide range of traditional banking services, including lending.

MARIUS FERREIRA

He says the capital market will become a more important provider of funds, relative to banks, because technology has reduced transaction costs and has provided an important supply of information about borrowers.

Rapid development of new financial instruments has also meant that capital markets provide a more varied range of borrowing facilities.

Ferreira predicts a time when banks will operate freely in other commercial sectors, being allowed to compete with organisations that have muscled into their territory.

In the United States the trend has already been set. General Electric has become the largest lender to the corporate market, with banks having lost their competitive and comparative edge as lenders to this sector.

Immune

ACTSA technical committee chairman Tom Makinson says South African banks will be unable to escape these trends.

"The South African banking sector has been immune from the pressures faced by their international counterparts.

"Integration into the world economy will ensure that this is no longer the case, as recent mergers have indicated," says Makinson.

Errors: 'R1 bn in claims' against banks

ST Times [Cape/Metro] (58) 14/2/93.

CLAIMS in the pipeline against banks around the country for miscalculating interest on overdrafts could total as much as R1 billion.

This was said this week by a spokesman for a company which recalculates interest on behalf of clients and then reclaims the money from the banks.

Another company's spokesman estimated the claims at "easily" between R50 million and R100 million a year.

The companies also say that although nearly all the major banks have gone on record in newspapers and on television that they would promptly correct any mistakes brought to their attention, claims took up to a year to be settled.

Huge

Mr Flip du Plooy, marketing manager of Wespro, the company which started the overdraft-checking industry in South Africa, said this week its own current claims totalled between R30 and R50 million rand.

Throughout the industry, he said, current claims "easily" totalled between R50 and R100 million a year.

Mr John Muller, Cape managing director of one of the largest companies in this field, Interest Computation Experts (ICE), said he believed the amount was as high as R1 billion.

Wespro's attorney, Mr Hennie Heymann, said he had "hundreds" of files on claims against banks in his office in Pretoria.

Some of the errors were huge, he said, quoting examples of hundreds of thousands of rands overcharged on big overdrafts.

"Sometimes a miscalculation can increase an overdraft to the point where it exceeds the value of the person's assets. People have been forced to sell their farms or have been sequestrated unecessarily because of large miscalculations.

"When this happens and the mistake is found it is too late — you can never repair the harm done to that person," he said.

By EVE VOSLOO

of Rand Search, said he currently had 78 claims against banks totalling R3 million in Cape Town alone. In 66 of these cases he has issued summonses against the banks when they have refused to pay.

Mr McKeever said he had written to the Minister of Finance and asked for a court of inquiry.

Mr John Muller of ICE said mistakes were widespread.

"We believe 91 percent of all overdrawn accounts have mistakes in the interest calculations.

"One of our clients was overcharged in 1984 by 300 percent above the prime rate. You can imagine the amount of interest compounded up to today."

He also cited cases in which people were forced into bankruptcy.

"It is so easy for a bank manager to shrug it off as a mistake but that person can never recover what has been lost," he said.

Mr Muller said banks were being caught "with their hands in the cookie jar" and were using "delaying tactics" in settling the claims.

"In such cases we sue. At present we are suing banks for more than R16 million, but as a general rule they settle before the court date."

Mr Muller believes the miscalculations are deliberate and that in slow months banks put up their interest rates — without informing their clients — to increase profits.

Mr McKeever agreed.

Whim

He also said clients were often charged interest which did not match the rate printed on their bank statements.

"It seems that bank managers alter the rate of interest at a whim."

Mr Nico van Loggerenberg of the Clearing Banks Association said this week that he could not comment on the particulars of any case but that the banks' stated intention was that they would "endeavour to correct any mistakes brought to their attention as soon as possible".

MONEY MARKETS by Tim Marsland

Reserve Bank may mop up liquidity

THE Reserve Bank may be planning special steps to mop liquidity out of the money market over March. (58)

The traditionally difficult year-end sees R2,5bn flowing into the system in drought assistance. Interest payments, chiefly on the R150 and R153 bonds, will add R2,5bn but this will be offset by tax payments.

The Bank is unwilling to let up on the daily shortage (note the high shortage in January), but it should nonetheless be an easy month for the money market.

The Bank will obviously try to limit the money flow into the market. B/Day

It could make use of special Treasury bills or it could look at playing around in the currency markets. On the Treasury bill front, the weekly tenders should fulfil the Bank's needs, so it will probably look to other areas. 15/2/93.

One thing it will not be able to do is us the chance to sell government debt because of the year-end.

Whatever steps it plans, it will give a useful insight into what the Bank's thinking on interest rates will be over the next few months.

According to Bank data, banks recently started rediscounting SA Reserve Bank bills at the window for the first time since they were introduced last year.

However, SA Reserve Bank and Treasury bills are not being used as much at the window as in November. In that month, SA Reserve Bank and Treasury bills accounted for 66% of utilisation at the window compared with 59% in January.

Land Bank bills remained at 24% while utilisation of bankers' acceptances rose to 17% in January from 9% in November.

Star 16/2/93

How to bounce out of banking blues

(58)

IF you are suffering from those banking blues, don't just sit back and assume there's nothing you can do.

Trends has identified and listed complaints common to many account-holders and put them to two leading banks, Standard and First National, for clarification.

1. Bank guaranteed cheques:
A business sold R3 000 worth of furniture to a woman who produced a bank-guaranteed cheque. The businessman phoned the relevant bank's branch, giving the cheque number, the account-holder's name etc. The cheque was verified. He deposited it and allowed the woman to take the furniture.

The cheque "bounced" and the businessman was told the cheque book had been stolen. The bank refused to honour the cheque.

The Standard Bank replies:
Banks do provide certain customers with "blank" cheques guaranteed up to various limits and for a specific period, provided that the following conditions are met:

- The drawer (person making out the cheque) signs it in the presence of the payee (to whom it is made out).
- The number of the drawer's valid Standard Bank Blue or Gold Mastercard is recorded in the block provided, by either the drawer or payee — both parties being present.
- The payee ensures that the drawer's signature corresponds with that on the drawer's Mastercard.
- The cheque is complete, not postdated.

Payment on this certified cheque may not be stopped.

It appears that this scenario was applicable to the case mentioned and if all conditions were met by both sides it is unlikely that the bank involved would have returned the cheque unpaid.

It comes as a surprise that a bank would have "verified" the specific cheque over the telephone with the retailer. From Standard Bank's point of view, this "verification" procedure is not allowed and staff are continually reminded of the risk involved.

Timeous reporting of stolen cheque books minimise the risk of such cheques being successfully negotiated.

FNB replies:
Bank guaranteed cheques are available from FNB for Status and Premier account-holders. The Status account guarantees cheques up to R500 and the Premier up to R2 000. It is impossible that the businessman in this scenario had received a bank-guaranteed cheque for that high an amount.

Only one cheque can be used per transaction, eg, a customer may not give two R500 Status cheques for a R1 000 transaction. The bank will honour a bank-guaranteed cheque only if the guarantee-card number has been filled in on the back in the presence of the person to whom it is written.

FNB advises customers to report a stolen cheque book as soon as possible to their branch to prevent fraud.

Over weekends contact the FNB customer care line, toll-free, at 0800-111-722.

Smooth sailing . . . relations between the customer and bank should be hassle-free if simple rules are followed. Picture: Alf Kumalo

2. Debits and credits:
A woman complained that she was debited for a purchase, but a cheque payment which was cashed well before due date had not been credited. It seems that debits go through timeously, but not credits.

Standard Bank replies:
There is no time differentiation between processing of debits and credits to customer accounts. Should a deposit be made to cover a particular cheque, it is unlikely to reach the customer's account in time to meet an immediate withdrawal.

There are various methods of deposit: over the counter, via the ATM, at another bank, employers crediting salaries etc, and it is possible that for various reasons a deposit could be delayed which brings us to the case mentioned.

It would be interesting to establish how the deposit was made, which would then enable the bank in question to investigate the reasons for the alleged delay.

FNB replies:
With the sophisticated technology used by FNB, the bank's computers are all on-line and therefore any credits or debits will be processed through a customer's account almost instantaneously.

A cheque will not be credited immediately, however, if there is some sort of problem with it — the cheque is post-dated, or the wrong account number is put on the deposit slip, or the wrong branch code etc.

3. Bond debit orders:
Debit orders on bonds are cleared late and interest is charged. In one specific incident the debit order had been altered by the bank to change the date. The women concerned threatened legal action and the bank repaid the excess interest, but insisted that it made no difference on what date the amount was debited. The customer proved to the bank that it was calculating the interst on the higher amount each month.

Standard Bank replies:
It should be noted that the alleged incident referred to is contrary to procedure. A debit order is an instrument whereby the customer authorises withdrawal of a specific amount from his account on a specific date each month. For this reason it would never be altered by the bank without obtaining the customer's permission.

Debit orders are, therefore, processed on due date. However, should the system be down on that date, or the date fall on a Sunday or public holiday, the entry would be processed on a later date. Nevertheless, it will always be effective on due date and no additional interest will be charged as a result.

FNB replies:
The person authorised to speak on this issue was not available.

However, a spokesman for the bank says if an amount is not debited on time from a savings account, the interest earned on this amount would be offset by the interest charged on the bond.

- More problem areas will be highlighted in Consumer Trends next week.

OM to defend R272m claim

Business Staff (36)

OLD Mutual is to defend a legal claim of R272 million for allegedly taking over aspects of a health care plan developed by a close corporation, Profcare.

Profcare alleges that Old Mutual withdrew from an underwriting arrangement for a health care insurance product and later used the product in one of its own schemes. Arg 16/2/93

The claim was made in papers lodged at the Cape Town Supreme Court last week.

Old Mutual has been given 10 days to respond to the claims.

Dr Thys Oosthuizen, senior legal advisor for Old Mutual, said today the claim would be defended and papers of rebuttal would filed soon.

Sanlam backs education (58)

Staff Reporter

ASSURANCE giant Sanlam is to sponsor more than R4 million worth of education projects in 1993. CT 16/2/93

This was announced by the company's chief executive, Mr Pierre Steyn, at the naming of the Sanlam Audiovisual Centre at the Cape Technikon yesterday.

"An investment which effectively equips our youth to meet the demands of the modern technological age is indispensable for our country's economic advancement," he said.

LOA plan could pump millions into low cost housing

STAR 17/2/93

Property Staff (58)

Millions of rands could be made available for housing and other social needs through the initiative recently announced by the Life Offices Association.

The plan, to be managed by the Investment Development Trust of the LOA, is to tap funds held by the large insurance groups for ongoing investment in housing, health, education and infrastructure development.

Barry Adams, chairman of the trust, told delegates to a National Association of Home Builders (NAHB) meeting yesterday: "Reserves of insurance companies have traditionally been invested in commercial and industrial projects to ensure high returns for policy holders.

"A new strategy to invest in residential projects as well has now been introduced and millions could be made available for housing and other social needs".

Catalyst

The trust is to act as the catalyst for developers and entrepeneurs who will submit plans for proposed projects, filtering these to members of the LOA for investment action.

Adams emphasised that the approval criteria for developments would be security, labour intensivity and reasonable return for the LOA membership.

Meanwhile, there are high expectations within the home building community that millions more will earmarked for housing in the March budget.

The existing allocation is R3,6 billion and there is a strong possiblity that this could rise to about R5 billion, following representations to government by the Building Industries Federation (Bifsa) and its associates in the construction industry.

State funding

The Institute of Building (SAIB), whose 1200 members represent management in the industry, has now also associatied itself with the moves to have more State funding released for housing.

Johan Viljoen, a past president of the SAIB, says that until about nine months ago, it was assumed that the Independent Development Trust would channel state housing funds to where they were most needed.

However, he says, its efforts have been hampered by the political situation, violence and the difficulty of finding representatives to deal with in each area.

It has also had problems "selling" the idea of projects near existing housing estates, because the residents of these areas regard site and service schemes nearby as a danger to their investments.

Bifsa, the SAIB and the NAHB have now accepted that housing cannot always be a government responsibility but, says Viljoen, they believe it is the responsibility of the government to come up with ways to give private institutions — such as the members of the LOA — the confidence to invest in housing.

Houses built

An indication of the urgency of the situtation can be found in the fact that, while the National Housing Forum estimates that 200 000 houses a year are needed, only 25 500 were built in the first 11 months of last year.

According to the Central Statistical Service, this was 15 percent down on the corresponding period of 1991 and, of those houses built, only 40 percent were less than 81 sqm in size.

Boland Bank, in its latest economic review, points out that the real value of residential buildings completed during this period also fell, and that the average level of activity in the sector is now 10 percent lower than in three years ago.

What's more, non-residential building now accounts for approximately 42 percent of building activity, as opposed to an average of 33 percent in the years 1983 to 1990.

This, says the bank, is "directly contrary to the fact that the need in South Africa is for the construction of residemtial buildings".

New Brighton CR327/1/91—Fraud against an official of the Town Council.

(a) The hearing started and the case was postponed until 11 May 1993.

(b) January 1991.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

New Brighton CR328/1/91—Fraud against the Mayor.

(a) The investigation has been completed and the case docket has been forwarded to the Senior Public Prosecutor for the drafting of chargesheets and the determination of a trial date.

(b) January 1991.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

New Brighton CR329/2/92—Theft: official of the Town Council.

(a) The investigation has been completed and the case was withdrawn because the accused will be used as a state witness.

(b) January 1991.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

New Brighton CR416/5/91—Extortion and corruption: Mayor, a council member and three officials of the Town Council.

(a) The investigation has been completed and the case docket has been forwarded to the Senior Public Prosecutor for the drafting of chargesheets and the determination of a trial date.

(b) January 1991.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

New Brighton CR282/1/92—Extortion: official of the Town Council.

(a) The investigation has been completed and the case docket has been forwarded to the Senior Public Prosecutor for the drafting of chargesheets and the determination of a trial date.

(b) January 1992.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

New Brighton CR324/2/92—Fraud against an official of the Town Council.

(a) The investigation has been completed and the case docket has been forwarded to the Senior Public Prosecutor for the drafting

of chargesheets and the determination of a trial date.

(b) February 1992.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

New Brighton CR438/2/92—Fraud against the mayor and a councillor.

(a) The hearing started and has been postponed until 4 April 1993.

(b) February 1992.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

Louis le Grange Square CR491/1/91—Fraud against an official of the Town Council.

(a) The hearing started and was postponed until 24 February 1993.

(b) January 1991.

(c) The cost arising from the Ibhayi investigation includes the normal running costs for transport, personnel and office maintenance. At this stage it is impossible to give the ex-departmental expenses owing to the fact that the audit firm "Deloitte and Fouche" has not yet rendered their account for their investigation.

Kwanobuhle's investigation:

Uitenhage CR402/2/89—Fraud.

(a) Certain aspects of the investigation has been completed and the case was discussed with the Attorney-General of the Eastern Cape on 5 February 1993 and a special investigation team was appointed to investigate the case.

(b) February 1989

(c) Up to date R28 480,00 was paid from State Funds and in addition to the later expenses the normal running costs by the investigating officer and the maintenance of one vehicle used by him must be added.

Uitenhage CR253/8/92—Corruption against officials of the Town Council and private persons.

(a) To date the allegations of the complainant could not be confirmed and the investigation continues.

(b) August 1992.

(c) Normal running costs are represented by one investigating officer and a vehicle.

Uitenhage CR70/1/93—Theft: Councillors of the Town Council.

(a) An audit investigation of the council's records must still be made to determine the nature and extent of the irregularities

(b) January 1993.

(c) Normal running costs are represented by one investigating officer and a vehicle.

(2) No.

Land Bank loan: application by certain person

*2. Mr H D K VAN DER MERWE asked the Minister of Finance:† 58

(1) Whether he will furnish information on whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, recently applied for a Land Bank loan; if not, why not; if so,

(2) whether the loan has been granted;

cont →

(3) whether he will make a statement on the matter? B30E

(56)

†The DEPUTY MINISTER OF FINANCE (Mr J A van Wyk):

(1) In view of the position of trust existing between financial institutions and their clients, I am not prepared to disclose personal particulars of the Land Bank's clients without the client's written consent.

The person whose name was furnished, did not in any event apply for a loan at the Land Bank.

(2) and (3) Fall away.

SAP: resignations because of stress

*3. Mr H D K VAN DER MERWE asked the Minister of Law and Order:†

(1) Whether any members of the South African Police have resigned since 1 January 1990 because of stress; if so, how many;

(2) whether any of these members have been admitted to institutions for persons suffering from nervous disorders; if so, how many;

(3) in respect of what date is this information furnished? B31E

†The MINISTER OF LAW AND ORDER:

(1) Yes.

1990—Not available.
1991—37 members
1992—231 members

(2) Yes, but as a result of the magnitude of the administrative processes involved in order to determine the information, the information cannot, unfortunately, be made available at short notice

(3) 1 January 1991 until 31 December 1992.

†Mr H D K VAN DER MERWE: Mr Speaker, arising out of the hon the Minister's reply, I should like to know what the hon the Minister and his Department are doing to oblige and to render assistance in the cases concerned.

†The MINISTER: Mr Speaker, I think that is a very reasonable question, but the reply is rather comprehensive However, I shall try to convey it as briefly as possible.

The Psychological Auxiliary Services Section, a subsection of the Institute for Behavioural Sciences, renders a professional psychological service to members of the SA Police and their families. On 6 March 1992 the Psychological Auxiliary Services Section initiated a proactive programme for the treatment of stress in the South African Police. At that time existing as well as future services were discussed. The services being offered now are of a preventive nature and comprise guidance, crisis management and psychotherapy. To prevent these problems, very strict psychometric selection of all new applicants is carried out.

Secondly, in respect of crisis management, the SA Police Force has installed a crisis line operating 24 hours a day. This gives members the opportunity to discuss personal problems with a trained counsellor by means of a toll free telephone service. The psychometric auxiliary services to members of the force still operate on a daily basis, and a significant percentage of these patients have symptoms of stress. What would, however, be more effective, is a stress management centre for the SAP where members may unwind completely and learn the necessary stress management skills. The establishment of such a centre is being investigated by the police at present.

Mamelodi: leasehold title

*4. Mr S P BARNARD asked the Minister of National Housing:†

(1) Whether the Transvaal Provincial Administration intends granting leasehold title in respect of the occupants of certain sites in Mamelodi township; if so, in respect of how many sites;

(2) whether any improvements have been effected on these sites;

(3) whether these sites plus improvements have been or will be made available to the occupants;

(4) whether he will make a statement on the matter? B36E

The MINISTER OF LAW AND ORDER (for the Minister of National Housing):

(1) It is the policy of the Government in

terms of the Conversion of Certain Rights to Leasehold Act, 1988 (Act 81 of 1988) to eventually grant leasehold or freehold in respect of all State financed sites in Mamelodi township to occupants thereof. Approximately 13 400 sites will qualify for this.

(2) Yes. Improvements have been effected on some of the sites.

(3) Yes.

(4) No.

Ministry of Law and Order: offices refurnished

*5. Mr P J GROENEWALD asked the Minister of Law and Order:†

(1) Whether any of the offices of his Ministry in Pretoria were fitted with new carpets and refurnished in 1992; if so, (a) how many offices were involved, (b) what was the cost involved and (c) what was done with the old carpets and furniture;

(2) whether these offices had been fitted with new carpets and refurnished on a previous occasion; if so, when;

(3) whether he will make a statement on the matter? B39E

†The MINISTER OF LAW AND ORDER:

(1) The Ministry offices were supplied with new carpets (with the exception of one large office) as a result of the fact that the existing carpets were threadbare and faded. Most of the old furniture was retained and only a few items were acquired for purposes of addition and replacement. Due to the appointment of a Deputy Minister of Law and Order on a full-time basis, an office had to be allocated to him and furniture was procured for this office.

(a) Nine offices, the passage, the entrance hall and the conference room.

(b) R43 811,71.

(c) The Department of Public Works disposed of the old carpets and furniture in terms of the State Expenditure regulations.

(2) Six years ago a few offices were hastily prepared for the previous Minister of Law and Order and supplied with carpets. The offices were supplied with used furniture with a few exceptions As a result of changes to the existing offices, which included the preparation of a reception area and conference facilities, the carpets also had to be replaced.

(3) No.

Export incentive policy: company benefiting

*6. Mr J CHIOLÉ asked the Minister of Trade and Industry:†

(1) Whether a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply, was benefited financially by the Government's export incentive policy during the latest spcified period of 10 years for which figures are available; if so, (a) by what total amount and (b) what is the name of this company;

(2) whether the Industrial Development Corporation of South Africa Limited granted loans to this company during the above-mentioned period; if so, what (a) was the amount of each of these loans and (b) were the conditions of repayment attached thereto;

(3) whether this company enjoys lower tariffs, rebates and/or other special privileges as a result of its geographic situation, mining activities and/or other factors; if so, what are the relevant details? B43E

The DEPUTY MINISTER OF TRADE AND INDUSTRY:

(1) (a) and (b) Richards Bay Minerals controls two companies, namely Richards Bay Iron and Titanium (Pty) Ltd and Tisand (Pty) Ltd. These companies have during the period 1981 to 1990 been benefited financially by the Government's export incentive policy, as follows:

Cont -P

Govt hopes report will remove over-regulation

BDAY 17/2/93 (38)

CAPE TOWN — The Law Commission had completed an investigation into the possible consolidation of the Usury and Credit Agreements Acts, and its report should be published later this year, Deputy Trade and Industry Minister David Graaff said yesterday.

Introducing the debate on the Usury Amendment Bill, he said he hoped the commission's investigation would result in the elimination of any over-regulation of the money market.

The most important amendment proposed by the Bill was the appointment of a registrar who would be able to appoint inspectors to carry out field investigations of any alleged irregularities.

At present the Department had no powers of inspection, and law enforcement was done by time consuming correspondence. This had a negative effect on the rate at which cases could be dealt with.

Over the past year about 122 complaints had been received from the public. Most were in an advanced stage of investigation, and 13 cases had been referred to the police for possible prosecution.

Graaff said the disclosure of interest rates and finance charges would prove to be the most important way of protecting the public from malpractices. Replying to debate, he said he shared the misgivings of other MPs regarding the actions of certain banks, but was convinced that full disclosure of charges and interest rates would end such action.

Chris de Jager (Bethal, CP) said he was concerned that banks which had charged too much interest now insisted on payment from clients. Those asking too much interest should be brought to book.

Brian Goodall (Edenvale, DP) said SA was the most economically illiterate of all the developing countries.

The onus was on legislators to make sure the consumer had enough information to make a sound judgement.

He agreed with Graaff that one should beware of over-regulation. The people who suffered first from over-regulation were the poor borrowers, as lenders were happier to accept higher risks at higher rates.

There was a need to find a balance between regulation and allowing rates to be determined by the marketplace, and legislation was necessary to bring this about. However, a competitive market provided an even greater safeguard, because consumers could then shop around. — Sapa.

IDC unbundling put on hold until after Budget

BDay 17/2/93.

(58)

EDWARD WEST

LIFE companies were major investors in most valued listed share stocks, and an unbundling of assets, leading to a dividend distribution, would attract dividend taxes, Industrial Development Corporation (IDC) GM Malcolm Macdonald said.

One of the greatest problems inhibiting the unbundling of corporate assets was the notion of the deemed dividend upon which life companies paid tax on dividends.

This made unbundling a major disadvantage to life offices, and was a major obstacle in the unbundling of corporate assets.

The unbundling of the IDC's National Selections (Natsel) and Industrial Selections (Indsel) could not be completed before the Budget, and was now planned for April. The IDC hoped to realise about R500m from unbundling, said Macdonald.

It was hoped the definition or status of the deemed dividend would change after the Budget, thus facilitating the unbundling process, he said.

Assurance industry sources said the sixth schedule to the Income Tax Act would be abolished this year, which would remove life assurers' objections to the unbundling process as it meant dividends would not be taxed. The abolition of the sixth schedule and a revision of the Insurance Act would probably be referred to in the Budget, a source said.

Macdonald said the full value and mechanics of unbundling had not yet been decided, as two merchant bankers were in the process of placing values on the unlisted investments.

Although the IDC would have to buy back Natsel and Indsel's unlisted investments — making up less than a quarter of the total investment value — it was important to realise fair value for those investments in terms of the outside shareholders, he said.

Indsel's unlisted investments include stakes in ERF, Algorax, Richards Bay Minerals, Richards Bay Smelters, L & C Steinmuller, Delfos and Atlas Copco, Automotive Overseas Investments, Alusaf, Advanced Foods Research and Sappi Management Services. Natsel's unlisted investments included stakes in the same companies.

Indsel's listed investments at Monday's trading prices amounted to about R600m, while Natsel's totalled about R486m.

Their listed investments include shares in Sappi, Sasol, Palabora Mining, Implats and CG Smith.

Retrenchments boost demand in some sectors

WDM 17/2/93

58

RETRENCHMENTS in many sectors are generating demand for property in certain sectors, says Camdons MD Scott McRae.

"We are finding many people are using their retrenchment payouts to reduce their monthly property costs, either by buying smaller homes or second homes to generate rental income," he says.

This has led to demand for homes suitable for starting small cottage industries such as consultancies, small manufacturing or distribution operations.

"The net result is movement in the property market with a domino effect of buying and selling brought about by the original seller who was retrenched and is now forced to look at his commitments," he says.

While some people were selling their properties and renting so they could use the realised cash to help provide an income, this was short-sighted as rental money was lost and interest rates were falling.

Breakthrough on bond boycotts

GRETA STEYN

A BREAKTHROUGH has been reached in negotiations between the SA National Civic Organisation (Sanco) and the banks on the township housing crisis, and a wide-ranging agreement is expected soon.

The Association of Mortgage Lenders said yesterday agreement was expected shortly in the areas of bond repayment insurance, repossessed properties, education and payments in arrears.

This was confirmed by Sanco president Moses Mayekiso, who said a meeting would be held soon to finalise details and possibly to sign an agreement. He added the agreement went further than the one signed with the Perm, as it would be more detailed in its focus on the lending crisis.

The association warned against calling for mass action and rental boycotts "in the light of positive progress". The agreement with the Perm effectively exluded it from mass action such as bond boycotts.

The association said its member banks were also involved in regular discussions with individuals and local community groups, who were directly concerned with mortgage lending issues.

Mayekiso said if an agreement was signed, it would be regarded as an interim measure as there were some issues that remained unresolved. The association said, however, that its members were "on board" in respect of those issues on which they believed they could realistically deliver. It was a member of the National Housing Forum and its view was that only such a forum had the capacity to address the broader housing development issues.

The agreement with the Perm included non-mortgage related programmes such as job creation. BIDAY 17/2/93.

COMPANIES

Fedlife writes record new business

ANDREW KRUMM 58

ASSURER Fedlife reported a record 67% growth in new business premium income to more than R660m for the year to December 1992. BI DAY 17/2/93

Fedlife MD Morris Bernstein said yesterday total premium income for the year jumped to R1,245bn from R891m in 1991.

Bernstein said new single premium business had increased by more than 100% to R456m in 1992 due mainly to a rise in annuity business.

"Single premiums in respect of group business also made a meaningful contribution as our investment performance last year attracted a number of pension funds to the Fedlife banner."

Total recurring premium income was up 21%. Bernstein said it was "particularly pleasing that recurring new business written by the life division rose 50% in the year".

He added that broadly based marketing and distribution channels, including "strong support" from independent brokers, augured well for the future.

"We issued about 45 000 policies last year, which is well over 100% up on the number of policy issues in 1991."

Fedsure will report its results for the year at the end of February.

Professionals at the helm of Sandton office

RMBT's first office outside Natal was established in Sandton in 1988 by Nick Harris, David Alcock and Stan Arenson with the assistance of Roland Walker who remains with the company as a non-executive director.

The four have since been joined on the board by Roger Hunting and together offer a wide range of property services.

Of the five Sandton-based directors, four are chartered surveyors and one a chartered accountant. The office is headed by executive director Harris who is also responsible for the investment department.

The Transvaal property administration and rent collection department is headed by Hunting who is principally involved in management of properties held by the property funds under RMBT administration and major institutions.

Responsible

Prior to joining RMBT, Hunting was real estate GM at Prudential Assurance Company of SA, where he was responsible for the management, administration and acquisition of the company's property investment portfolio.

Born and educated in Britain, Hunting is a professional associate of the Royal Institution of Chartered Surveyors, an associate of the SA Institute of Valuers, a registered valuer and also holds a post-graduate diploma in town and country planning.

DAVID ALCOCK

The property administration department looks after more than 120 properties, its major clients being Umdoni, Tamboti, Highstone and Higaté Property Funds, Old Mutual, Protea Assurance and private investors.

Hunting believes there is potential for further growth of the administration department, saying RMBT provides a comprehensive and cost effective property administration system which concentrates on establishing and maintaining good relationships with landlords and tenants.

"Knowing your tenants' future plans enables you to provide the accommodation to suit requirements timeously," Hunting says.

David Alcock leads the industrial broking team. He is also a fellow of the Royal Institution of Chartered Surveyors, a registered valuer and a member of the Institute of Valuers. He is a registered estate agent, and representative of the Sandton Chamber of Commerce.

Alcock took control of the industrial department last year and is intent on building up market share. His faith in the expansion of the industrial property market is based not only on its historical trend of being the first to respond to any economic upturn, but also on the view that intensive job-creating industrialisation will have to take place to address the alarming level of unemployment.

"The decentralisation policies of the past have not worked and thus major growth must take place in the PWV," Alcock says.

Headed

The office and retail leasing department is headed by Stan Arenson who spent 17 years in his own accounting practice in Randfontein before entering the property field as a commercial broker with Richard Ellis. He runs the commercial letting division, specialising in the Johannesburg CBD. He is also chairman of the Johannesburg CBD Association.

Arenson's department continues to provide services to major institutional clients. Lease negotiations valued at more than R30m were concluded by the

STAN ARENSON

department last year and far from cutting back on the number of brokers in the oversupplied office market, Arenson has taken on additional staff.

Recent deals concluded by the office and retail department were the relocation of Radio 702 to offices in Sandton and BOP Radio and TV to the same location. About 6 000m² of space in Wierda Valley has been let to Nedbank for their computer staff.

Arenson was instrumental in keeping General Mining in the CBD during the refurbishment of its head office buildings in a deal between mining houses, Genmin and Rand Mines. General Mining have been located in Corner House following the restructuring of the Rand Mines group.

Walker is a past president of Sapoa and the Institute of Estate Agents and a past chairman of the Estate Agents Board, with property experience stretching throughout southern Africa.

Harris says RMBT is continuously seeking good investments for institutions, syndications, the property unit trusts and private individuals.

Under his initiative RMBT was instrumental in launching a successful tender procedure for the prime Grosvenor Motors site in Rosebank last year.

Property unit trusts have their advantages

PROPERTY unit trusts provide an excellent way of satisfying the need for a property component to an investment portfolio, says RMBT director Craig Ewin.

"It is a widely held view that every investment portfolio should at all times The direct comparison between these two sectors must therefore be analysed if a fair comparison is to be made," Ewin says.

"Such an adjustment should result in property unit trust yields being 1% to 2% lower than direct property which is currently have weakened, this has not been reflected in any rerating of property trust yields which are becoming increasingly attractive when compared with call and fixed deposit rates.

The property unit trust sector consistently outperformed the JSE All Share form the JSE this year. But he says investors should always recognise the lower inherent risk attributable to property unit trust returns when comparing investment performance.

RMBT is currently responsible for the day-to-day administration of four list-

IT investment helps maintain efficiency

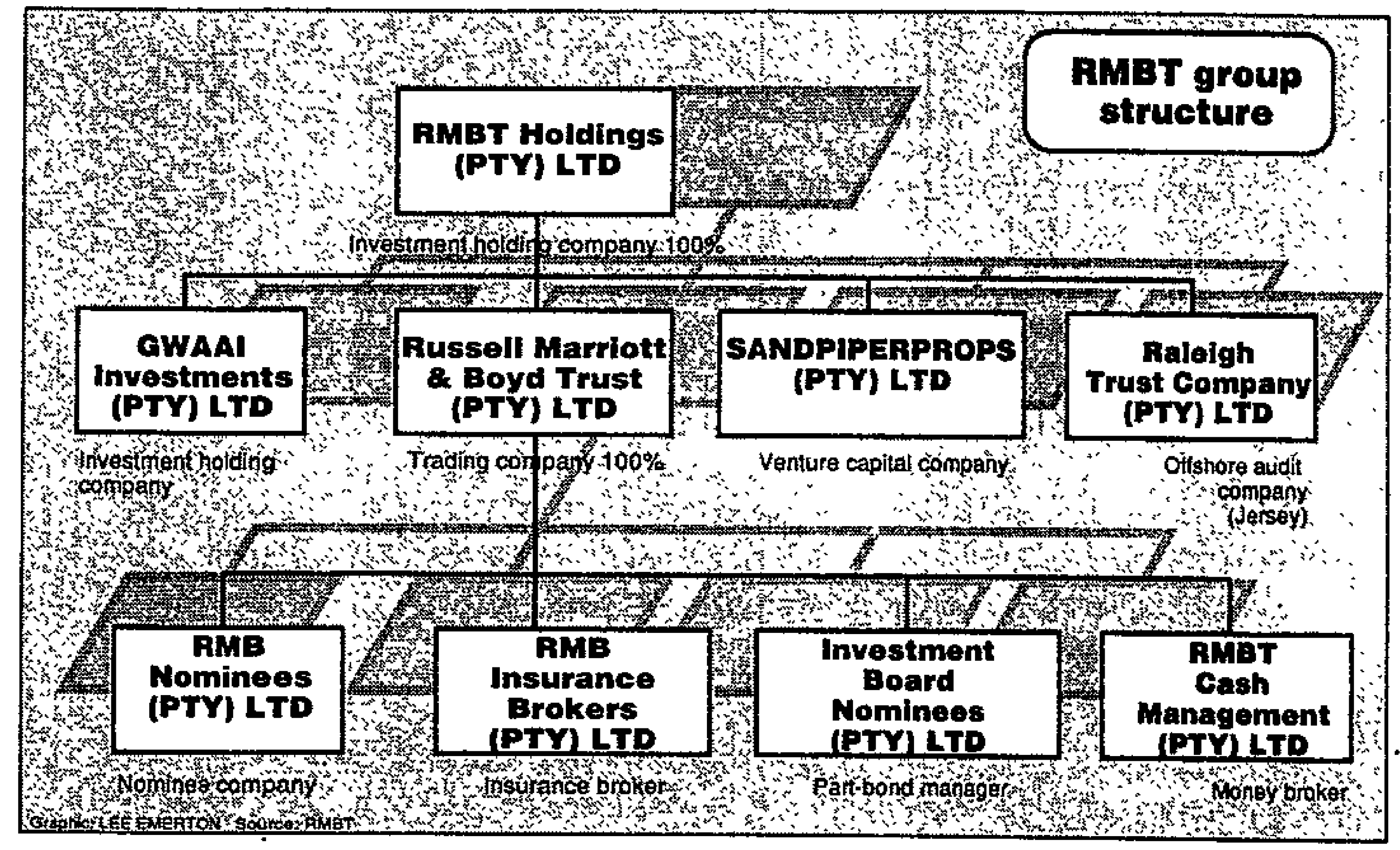
THE client accounting services division of RMBT provides accounting, secretarial and administrative services to property companies as well as privately owned and syndicated properties.

Division director Craig Ewin says while assets under administration have grown rapidly — there are at present about 460 properties with a market value of about R1bn under administration — the efficiency and service to clients has been maintained, partly through the group's continued investment in advanced computer technology.

The client accounting service is tailored to satisfy clients' needs and covers every financial aspect involved, from rent collections to profit statements, taxation and liaison with auditors.

Function

Ewin says the accounting function, together with the physical property administration, insurance and investment related services, relieves the owners of commercial and industrial buildings of the numerous tasks that are fundamental to achieving optimum returns on their investments.



Performance is a matter of record.

MERCHANT BANKS

Ranked by return on equity	91	90	89
FirstCorp	1	1	1
Merchant Bank A	2	2	2
Merchant Bank B	3	4	3
Merchant Bank C	4	3	3
Merchant Bank D	5	5	5
Merchant Bank E	6	6	6
Ranked by return on assets	**91**	**90**	**89**
FirstCorp	1	1	1
Merchant Bank A	2	5	2
[illegible]	[illegible]	[illegible]	[illegible]

of equities, property and cash with the proportions of each component adjusted as market conditions vary," he says.

The advantage of property unit trusts over physical property is that they are more marketable in view of their listing on the JSE. They also enjoy a greater spread of risk due to the number and geographical distribution of properties in their portfolios.

"Traditionally property unit trust yields are quoted on an historical basis. Direct property investments are quoted on future yields. trusts are therefore attractive at the present time."

Ewin notes in addition that although interest rates 1980s and Ewin believes there is an increasing likelihood that the property trust sector will again outper- Umconi, Tamboti, Higate and Highstone, for which it acts as property advisors and secretaries.

Jo'burg head has impressive record

RMBT's British-born and educated Johannesburg CE Nicholas Harris has brought a wealth of international experience and knowledge to the SA property market.

A fellow of the Royal Institution of Chartered Surveyors, Harris is also registered as a valuer and estate agent. His involvement in the property market runs deep, being a national council and executive committee member of the SA Property Owners' Association, a committee member of the Public Property Syndication Association and a past committee member of the Western Cape Institute of Estate Agents.

He has lectured on property at the University of Cape Town Graduate School of Business, has presented papers to a number of professional bodies and has had papers published in various financial periodicals. He also serves as the South African Corresponding Secretary for the Royal Institution of Chartered Surveyors.

Prior to his arrival in SA in 1970, Harris practised as a chartered surveyor in the UK. Between 1970 and 1985 he was based in Cape Town as a partner of Dunlop Heywood and was appointed MD of Richard Ellis SA before moving to Johannesburg in 1986.

Harris has acted for government on the expropriation of land throughout the Cape, for municipal and provincial authorities and for private land owners whose properties had been expropriated.

He has sold property development schemes and investments on behalf of many developers, institutions and individuals, and has been involved in the conclusion of many major commercial and industrial leases.

Merchant Bank C.	4	3	5
Merchant Bank D.	5	6	6
Merchant Bank E.	6	4	4

BDAY 17/2/93. whole page (58)

Russell Marriott & Boyd Trust

NBS Hallmark Fund outstrips All Share index

RMBT, in partnership with NBS and Norwich Life, initiated and floated two general equity unit trusts in 1988.

RMBT is the administrator of these two trusts – the NBS Hallmark Mutual Fund and the Norwich Unit Trust. It is also responsible for portfolio management of the NBS Hallmark Fund which is now valued at R50m and has more than 10 000 unitholders.

RMBT executive director Ken Burns, who is also on the national executive of the Association of Unit Trusts, is NBS Hallmark Management Company CE.

Joint administration of the funds allows investors in both to switch their investments between the two funds without an initial charge on reinvestment.

On December 31 1992 the NBS Hallmark Fund had been in existence for four and a half years and during this period had achieved a total return of 20,2% compared with the inflation rate of 14,4% and the performance return in the All Share index of 17,7%.

Achieved

Compared with the JSE All Share dividend yield of 3,6%, NBS Hallmark achieved a yield of 5%.

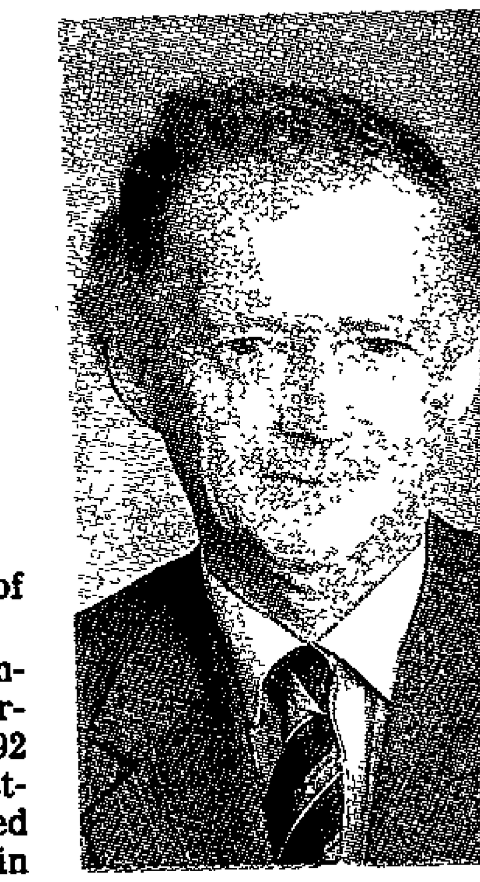
In the 12 months to end-December, the fund achieved a return of 9% compared with the inflation rate of 14,2% and the All Share index decline of 1,9%.

In the investment managers' report for the quarter ending December 1992 RMBT said their investment strategy had changed rapidly in late November in line with the more positive sentiment about the SA and world economies.

All gilts were sold at the end of October and the liquidity of the fund was sharply reduced to 21% from the previous 24%.

The minimum monthly investment in the NBS Hallmark Fund is R50 while the minimum lump sum investment is R500 plus further investments of not less than R200.

The fund has an automatic inflation option, allowing investors to increase their monthly investment each year by a pre-arranged percentage.



KEN BURNS

Investors have instant communication with RMBT's administration headquarters through the extensive on-line branch network of NBS and Norwich Life so that investments, repurchases and other information enquiries are dealt with promptly.

Pinetown identified as high growth area

PINETOWN is said to be one of SA's fastest growing cities and RMBT has been intimately involved with its growth and development.

Recognising the strategic importance of the Pinetown-New Germany area, RMBT opened a branch in Pinetown in 1969.

Natal's largest urban area after Durban and Maritzburg Pinetown's industries are within a few kilometres of a sophisticated road system, providing easy access to the north and south coasts, Durban and Maritzburg. Louis Botha Airport is only 20 minutes away.

RMBT's Pinetown office is managed by Richard Hyatt and is responsible for the administration of a large portfolio of properties for a variety of clients, including the four property unit trusts under RMBT administration.

The Pinetown office has long been a training ground for the company and many of RMBT's top property people started in Pinetown, says executive director Peter Malan.

"The marketing of the new Falcon Park industrial township will be handled by a team of active and competent brokers who also serve the community in the sale and leasing of properties, undertaking viability studies and advising landlords and tenants of current market conditions," Malan says.

Initiated

Another Natal branch of RMBT, opened in Empangeni about two years ago and under the management of Russel Addison, performs secretarial functions for several property owning companies in the area and has initiated a number of syndications.

The office, while small, is a multi-faceted operation undertaking cash management and other investment services for clients.

Unit trusts and mutual funds part of outlook

RMBT has been instrumental in promoting and co-ordinating the flotation of four property unit trusts and two mutual funds on the JSE.

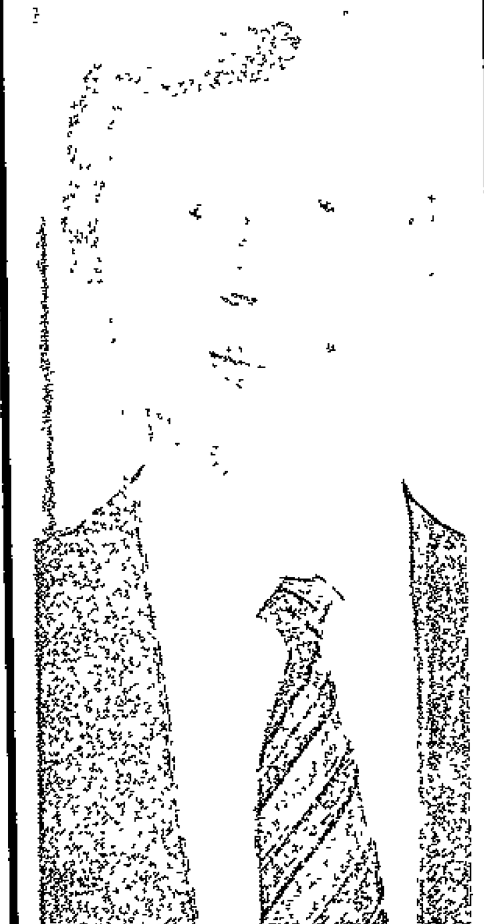
Executive director Ken Burns says RMBT has co-ordinated 11 applications to the JSE since 1983.

In conjunction with three institutions, RMBT established Yellowwood Property Fund Managers, a management company complying with the requirements of the Unit Trust Control Act. Umdoni was the first property fund formed, followed by Tamboti in 1986.

More recently the group, in association with several institutions, formed Cornerstone Property Fund Managers, from which the first trusts were Higate and Highstone.

Yellowwood ... Corner-day-to-day operational management of the portfolios to RMBT, which fills positions such as consultants, managers and secretaries. This involves the acquisition and development of new properties, lease negotiations, marketing of space and control of financial resources.

RMBT has also initiated and co-ordinated the raising of additional capital for these listed entities on four occasions by way of rights issues.



MIKE MUN-GAVIN

Man at the top sets standard to follow

TAKING a leading role in RMBT is MD Michael Mun-Gavin, 44, who joined the group slightly more than five years ago.

Mun-Gavin completed his schooling at Durban High School and went on to graduate from Natal University, Durban with a BCom. He subsequently qualified as a chartered accountant.

Before joining RMBT he was a partner in accounting firm Pim Goldby, now Deloitte & Touche, where he was responsible for the computer audit function in Natal.

Mun-Gavin is an SA Property Owners' Association regional committee member, a member of the SA Institute of Estate Agents and a member of the SA Institute of Chartered Accountants. He is also a director on the Durban Board Youth for Christ and sits on the governing body of Durban High School.

BDAY 17/2/93 whole page.

Russell Marriott & Boyd Trust

(58)

Group positioned to expand its services

RMBT has positioned itself to expand its private client and institutional portfolio management services and is also poised to move into the pensions fund portfolio management field.

Executive director of portfolio management Ken Burns says systems are in place to measure the performance of fund investments in terms of a return on assets, which is a demanding criterion required by fund managers in a very competitive field.

Burns brought 20 years' experience in financial and portfolio management when he joined RMBT in the early 1980s to establish and build up the financial services division as part of the investment services offered by the group in equities, property and cash.

Client funds under management in the group have multiplied 20 times since 1983, of which just less than a third are now in the financial services division which, says Burns, continues to grow at a rapid rate.

Burns says the performances of all managed funds are measured constantly. The computer systems highlight the asset mix, liquidity levels, major holdings, correlations of specific portfolios with the JSE Index portfolio and highlight the reasons for any over- or under-performances against targets set.

RMBT fund managers also operate in the derivatives markets and deal actively in the money and gilts markets.

Portfolio manager and research analyst Di Stacey stresses the importance given by RMBT to a personalised service. Clients either give the portfolio managers the discretion to take investment decisions as they see fit, or require that they give authorisation for each transaction.

Discretion

"Most clients give us the discretion to act within a pre-agreed investment policy. It is our experience that we perform better when we have discretion, as often we are required to make quick investment decisions and there is no time to refer to the client for authorisation."

All stock exchange transactions are negotiated through a stockbroker selected by the client, who receives a monthly computer printout of his or her investment portfolio as well as the cost, market value and yields of the shares held. Clients also receive a quarterly report on economic and investment trends.

Client portfolios and performances are scrutinised regularly by an investment review committee of qualified and experienced professionals, to ensure that they are in tune with investment and economic trends and to determine whether adjustments need to be made to the asset mix.

Weekly meetings are held to discuss the latest developments, individual counters, research projects, economic data and specific portfolios.

RMBT is taking a cautious view of the market at present, believing it to be overvalued and in line for a correction to bring it back to fundamental values.

"Our market is heavily influenced by overseas economies and markets. The market is discounting earnings that appear optimistic, and which are going to be very difficult to achieve. We have adopted a strategy of maintaining increased levels of liquidity and have made adjustments, selling off counters that we think would be adversely affected. Nevertheless, we are constantly on the lookout for special situations we believe will be driving the stock market this year."

Simon Pearse, who joined the group's financial services group in 1992, is involved with systems design, the installation of performance measurement systems, in the marketing and management of private clients, and corporate and pension fund management services.

RMBT established a Cape-based financial services and portfolio division in 1991 under Barry Napier, who has 28 years' experience in the field.

Regulates

Peter Mayhew has joined the board of RMBT as a non-executive director. He brings a wealth of experience in South African and international investment fields to the group and is prime force in RMBT's thrust into the western and southern Cape regions.

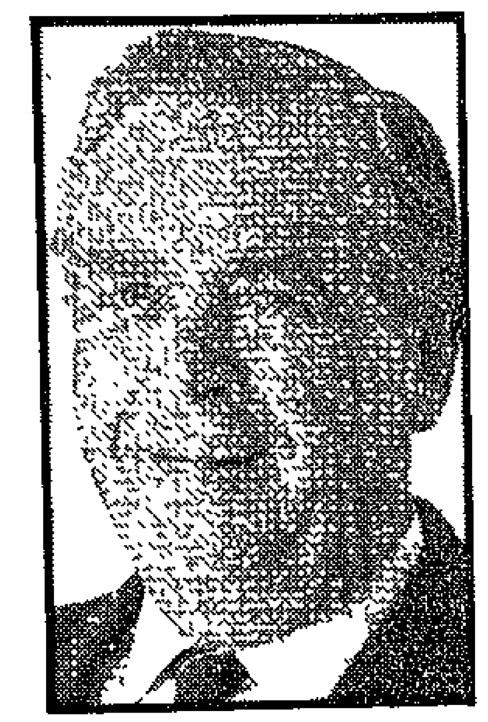
Burns was appointed to the Unit Trusts Advisory Committee, a statutory body that is an arm of the Financial Services Board, which regulates the equity and property unit trust industries.

He has been closely involved with the board for two years in the restructuring of the Unit Trust Control Act as it relates to the property unit trust industry.

The Act is being amended this year to deregulate the industry with the aim, Burns says, of ironing out many historical anomalies in the Act and the trust deeds, to ensure a more flexible and efficient property trust sector.

RMBT's portfolio administration and scrip department is managed by Jeanette Lahner who has been with the group for 18 years. All portfolios are administered by her office.


DI STACEY


PETER MAYHEW

Firm aims to retain its personal identity

HISTORY has shown that most successful family-owned businesses lose their independence and often their identity through their inability to meet increasing demands on capital as the business expands.

RMBT has largely overcome these capital constraints by its networking arrangements with major corporate and financial institutions.

Networking has enabled RMBT to grow into what is thought to be the largest, privately owned, independent diversified financial institution in the country.

"We took a deliberate decision that as a service company RMBT must belong to the people who provide the service in order to ensure that there is true motivation to give the best personalised service," says group CE Mick Hyatt.

"We are well aware that size will ultimately determine our ability to provide a good service and there may come a time when we would have to think seriously about a partnership but I cannot see this happening in the foreseeable future."

Executive director Kevin Moore says networking has been made possible by the flight of skilled manpower from SA. This has affected many large financial institutions by limiting the numbers of professionally competent managers available, encouraging them to contract out work.

"We have been able to network with major institutions, providing our skills on a contract basis where it suited them to go into partnership with us. This is a new concept for SA as major institutions have in the past generally only been interested in control and equity partnerships to get the services they require," Moore says.

Another danger facing family-owned businesses is the possibility that they might collapse when the owners die or retire.

Training

But RMBT has prepared itself for handing over its management to the upcoming generation by training a second tier, shadow management which could take over running the organisation at any time.

"We are being proactive in ensuring continuity and in ensuring that we have management in 10-year tranches who will be in position to run the company," says MD Mike Mun-Gavin.

"We like to be a personalised organisation providing niche skills but to do this there must be no disruption in our contact with clients. One should have the younger generation beginning to service our client base as the older generation begins to work towards retirement."

Special division aims to get projects started

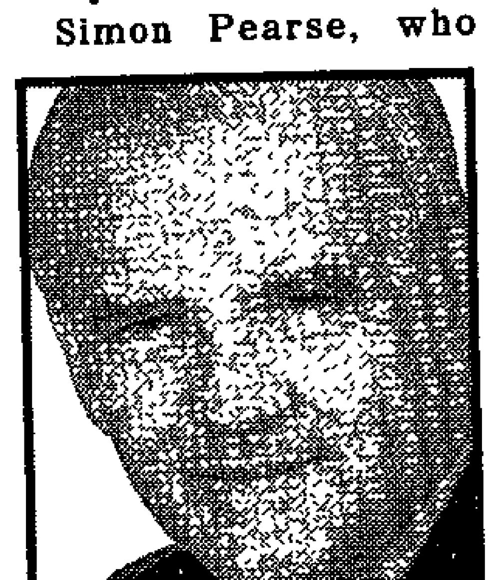
THE special projects division of RMBT has played a crucial role in creating business opportunities for the administration and marketing divisions of the organisation.

Headed up by director Bill Howard, assisted by Philip de Sylva, the division undertakes the exploratory and preparatory work involved in getting a project off the ground.

Property developments are invariably fraught with problems arising from pointed sole selling agents, the industrial townships of Falcon Park and Northgate Industrial Estate.

Howard is also responsible for initiating the new Colony Shopping Centre in Hillcrest through a three-year zoning and planning programme.

RMBT's special projects division was formed four years ago to identify and handle large projects of various types both for RMBT itself and for outside developers and investors.


BILL HOWARD

Varied disciplines required for marketing

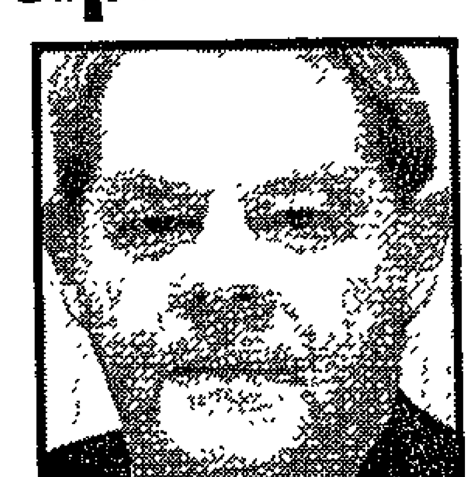
THE sale, leasing and development of property requires a knowledge of many varied disciplines within any particular community, says RMBT executive director Peter Malan, who heads the Natal marketing division.

"Successful professional property people should have a sound general knowledge of the economy at large and the law pertaining to contract, taxation and banking.

"In addition, an intimate knowledge of local town planning schemes and the understanding of the law relating to contracts and conveyancing, processing transactions and facilitating due performance by all parties."

He believes public auctions are an effective way of marketing and says that Natal public auctions are highly regarded and generally successful way of disposing of property.

"An important function of the broking division is to ensure the property companies under RMBT's administration are kept fully let and the various port-


PETER MALAN

Experienced brokers market space on behalf of landlords, undertake the sale of land with development potential and prepare feasibilities to support the political uncertainty, the industrial sector has performed remarkably well. Rentals have held and vacancy levels in Natal are very low.

Demand for quality space is still fairly strong and not easily satisfied. Industrial land prices have actually firmed in the last 12 months.

Falcon Park, a new industrial township in the Pinetown-New Germany area, will be released shortly onto the market and is already generating interest, Malan says.

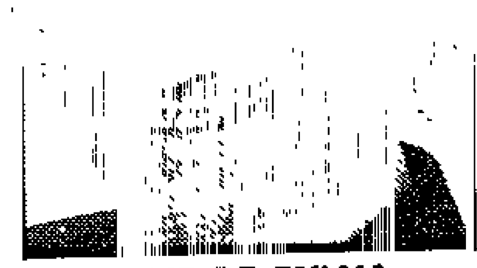
"An exceptionally strong

zoning constraints and legal pitfalls which result in developments taking years to bring to fruition.

The special projects division is involved in two major developments for which RMBT has been ap-

vo.vec..n property sro... for 20 years and is a qualified valuer.

He believes there are major opportunities for industrial property development at a time when there is a need for job creation.



PHILIP DE SYLVA

them is required," Malan says.

RMBT has a team of trained personnel who specialise in the sale and leasing of property in the Greater Durban area.

properties.

"No sales team can be effective without an after-sales service. RMBT is fortunate in having experienced personnel with an in-depth knowledge and

supply the syndication department with suitable investment opportunities."

Turning to current market conditions Malan says despite the recession and

come-producing stock, led by the major institutions has maintained downward pressure on capitalisation rates, resulting in increasing prices," Malan says.

Prompt and efficient insurance service

A PROMPT and efficient service covering all aspects of property and short term insurance is offered by RMBT.

MD Stanley Buck joined the company in 1986 to start a specialist insurance broking division to replace outside consultants. The division has grown substantially and, he says, is now a recognised player in the insurance broking industry.

Advantage

Buck says the major advantage of an in-house insurance broking facility is the attention to detail in each property transaction including purchases, sales, new leases, building alterations or extensions and new developments.

"There is always some activity taking place in RMBT that has an insurance slant and I believe the divisional managers are pleased they can leave this area of responsibility to a specialist department," Buck says.

While the initial thrust of RMBT's broking division was to cater for the insurance needs of the property unit trusts under RMBT's administration, the operation has expanded to handle the insurances of RMBT and its staff, as well as the needs of outside clients. Special schemes have been devised to insure the property portfolios under the control of legal and accounting firms and other companies.

"Clients have a guarantee that we attract the lowest rates commensurate with generous claims settlements," Buck says.

A claims handling section provides special advice and assistance to clients when accidents or losses arise.

Experience

Buck bought to RMBT 41 years experience accumulated while working with the Sun Alliance Insurance Group in the UK and east Africa and its associate Protea Assurance in SA. He is past chairman of the Insurance Institute of Natal and also of the Natal region of the SA Insurance Brokers' Association, of which he is still a committee member.

The development of the insurance broking division was not a journey into unchartered waters for the company. Exactly 110 years ago, in 1883, Russell & Marriott was appointed chief agent of the London Assurance for the colony of Natal.

STANLEY BUCK

Size of funds allows for optimum returns

A CASH management division which manages in excess of R220m in cash investments on behalf of clients has evolved over the last five years to broaden the spread of services offered by the RMBT group.

Clients are offered deposit facilities at registered banks ranging from call to 90 days for a minimum deposit of R1 000.

RMBT divisional manager Mike Attridge says about R150m is invested in short term deposits and about R70m in longer term instruments such as Bankers Acceptances and Negotiable Certificates of Deposit.

The large weight of client funds enables RMBT Cash Management to optimise clients' returns by negotiating the highest interest rates available.

Funds are placed only with registered financial institutions in terms of specific client mandates. Each institution is subject to an investment limit based upon its share capital and reserves. Funds on call may be withdrawn on demand with no minimum period of notice being required.

RMBT charges a commission on the interest received on call funds and term deposits and also passes on any direct costs incurred by the investor.

In addition to his cash management activities, Attridge also administers the personal financial affairs of major clients. He handles the financial affairs of clients on a personalised basis which he feels is vital in these times of uncertainty and change.

"One of the strengths of the company is that historically RMBT has always offered a highly personal and professional service. It is not simply a service we offer but we develop personal relationships with our clients," Attridge says.

RMBT also offers advice on estate and financial planning and prepares wills and trust deeds for their clients.

MIKE ATTRIDGE

Whole Page

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Business Day SURVEY

Property and financial services group RMBT has set its sights on playing a prominent role in the market. Established 130 years ago, RMBT has grown from a small family business to a national group with assets under administration of more than R1,5bn. ***LINDA ENSOR*** *reports.*

Experts provide integrated service

ANTHONY ARDINGTON

RUSSELL Marriott & Boyd Trust has grown in recent times into a fully integrated financial services organisation providing a personalised service to corporate and private clients alike, says non-executive chairman Anthony Ardington.

"I have had much pleasure in guiding the energy of a skilled team of professionals specialising in the property industry and the many facets of the financial services field, managing equity portfolios, mutual funds, property unit trusts, mortgage participation bonds, cash, estate planning and administration," he says.

"This team is dedicated to superior service in all its endeavours and is now very well positioned to grow further during the years ahead.

Risen

"During the last decade assets under administration have risen twenty-fold. The staff complement is nearing 200 and the group's policy of entering into partnerships with a range of institutions to provide specific services has been very successful.

"RMBT is committed to a carefully planned mission statement which focuses principally upon the interests of clients and the long-term security of staff. The group also makes a meaningful contribution to community life by giving its executives time and space to offer their services to a range of worthy causes.

"RMBT executives are constantly planning to cater for the needs of clients in changing times."

Team of professional valuers put together

RMBT has built up a team of professional valuers to assess the value of its properties.

It is a difficult task to perform without qualified people as there is no recognised index, such as the stock market index, to give a reasonable indication of value.

Headed by Philip de Sylva, the team includes a number of qualified and experienced registered valuers, all of whom are able to undertake valuations of all types of immovable property.

"An important part of our operation is to prepare detailed feasibility studies for new building projects and township developments," says De Sylva.

The valuations staff have completed a specific study of property portfolio analysis, which is required in the management of the four property unit trusts under RMBT's administration.

The valuations department pioneered the development of computer-based local authority valuation systems for rating purposes in Natal.

"These valuation techniques are of great assistance in improving the accuracy of municipal valuations and there is a growing appreciation that these techniques are essential for mass appraisals," De Sylva says.

Sights set on prominent role in market

RMBT has set its sights on playing a prominent role in professionally managing the capital resources of all sections of the population through the provision of sophisticated services.

Executives in Johannesburg, Durban and Cape Town, backed up by staff using high-tech systems, provide personalised service within the property, equity and cash markets.

RMBT is negotiating the establishment of a partnership with a London-based chartered surveyors practice, which will provide a two-way service for clients seeking primarily local expertise in property valuations, administration and investment.

The RMBT executive has a positive view of the role the company can play in the country's development.

"Over the past decade great strides have been made in training young people with the most modern systems and equipment required to provide sophisticated financial services. This team sees its future in Africa," says group CE Mick Hyatt.

Improving

"The group is committed to improving the living standards of its employees. The response to training programmes has been most encouraging and has led to significant promotions. This policy will continue," Hyatt says.

He believes industrial property development is a facet of the property industry which should perform well in the future.

Strong industrial expansion in SA will provide employment and will attract much needed foreign capital as the economy is rebuilt.

At present there is a sufficient supply of retail and office space. For this reason, RMBT is actively involved in a number of new industrial townships in Kempton Park, Pinetown, New Germany, and Durban North.

Much interest is being shown in these developments, despite the overall lack of sparkle in the property market.

Higate Property Fund, which is administered by RMBT, has successfully negotiated a rights issue which will raise R63m to be focused on the industrial market.

Since making this announcement the value of the stock has risen sharply, suggesting there is strong support for new industrial investment.

Maintained

Present industrial rental levels in major centres have been maintained over the past few years, while rentals in other sectors have softened.

This is another indicator supporting the relative strength of the industrial market.

When RMBT reaches its bicentennial in 2062 it will be a celebration of the success of solid teamwork.

Mortgage scheme earns investor interest

RMBT offers secure first mortgage investments over prime immovable property with attractive interest rates through Investment Board Nominees, which it manages.

The Participation Bonds Act restricts the amount advanced to the mortgagor to a conservative percentage of the valuation of the mortgaged property.

RMBT, in the capacity of manager, requires that each valuation be undertaken by a registered, qualified valuer.

The minimum initial investment in a participation bond scheme is R1 000 and multiples of R1 000 may be added at any time.

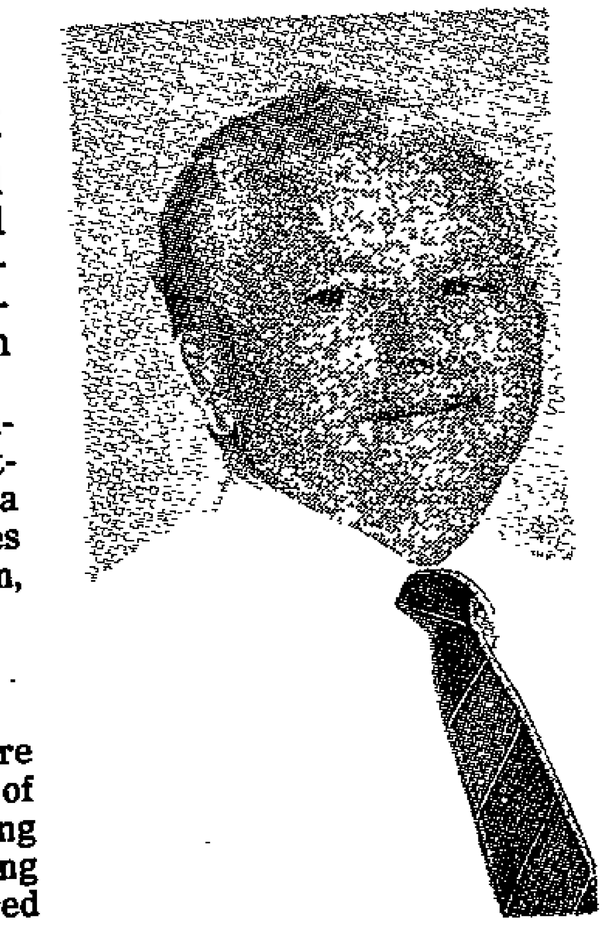
Initially, mortgage investments are fixed for a period of five years in terms of the Participation Bonds Act.

They may then be repaid, or renewed, usually for a shorter period.

Interest on participation mortgage investments is payable in advance on the first day of March, June, September and December when RMBT dispatches a remittance notice to the investor together with a cheque in payment of interest due.

In the event of an investor's death within the fixed period, the five-year restriction can be relaxed to accommodate the estate and beneficiaries.

Family business grows into a national success



MICK HYATT

KEVIN MOORE

RICHARD HYATT

IN 130 years Russell Marriott & Boyd Trust has grown from a small Durban-based family business into a national property and financial services group with assets under administration of more than R1,5bn.

George Russell and Samuel Marriott formed a partnership in 1862 to provide a range of financial services to the people of Durban, most of them pioneers.

Custodians

Russell & Marriott were the custodians of assets of clients coming to and going from a rapidly developing port. They administered property and estates, provided loan finance and acted as notaries, conveyancers, accountants and secretaries, among other services.

All these functions are still provided today, albeit somewhat differently for a client base throughout SA.

The practice was passed from Samuel Marriott to Walter James Marriott, then to Walter Osborne Marriott and on to his son-in-law Michael Hyatt. Through these years Russell & Marriott survived the South African War and two world wars as well as many other trials and tribulations.

In 1982 Mick Hyatt and Kevin Moore negotiated a merger between Russell & Marriott and Boschoff & Boyd which resulted in the formation of Russell Marriott & Boyd Trust.

From this time on the collective skills of a new group of compatible people resulted in a steady growth of business, Hyatt says.

Integrity and commitment to traditional values set by the founding families has led to the continuing success of the business.

The group remains in the control of the families and senior management.

In 1990 Richard Murray Hyatt joined RMBT after completing a law degree at Natal University.

The great-great-grandson of Samuel Marriott, he represents the fifth generation to join the ranks.

Inheriting the spirit of a firm

RMBT executive director Arthur Michael Hyatt joined the company in 1963, at a time when it employed 12 people and operated exclusively in the Durban property market.

During the next three decades, the range of financial services offered expanded drastically and the number of staff increased in proportion. RMBT now employs 188 people and administers assets valued at more than R1,5bn.

Hyatt was born in Bulawayo in December 1937. He did his preparatory schooling there, his secondary education at Hilton College in Natal and went on to graduate from Natal University with a BA.

Hyatt married Paula Marriott, the daughter of W O Marriott, and acquired control of the family business in 1968.

"I have gathered together competent men and women who have inherited the spirit of the company instilled by earlier generations. We have maintained those principles and have devoted our energy to managing our clients' capital to the best of our ability."

Hyatt's son Richard is the fifth generation of the family in RMBT and has been with the group for three years.

Perform

"I doubt that many other family businesses in SA have stayed under the same control for five generations. Nevertheless, we do not believe in automatic succession and each generation has to perform."

Hyatt was an active member of the SA Institute of Valuers and ran the Natal branch before becoming national president. He has also played a role in the Natal regional branch of the SA Property Owners' Association and in local CBD associations.

He is also a trustee of the Natal Parks Board Conservation Trust, a trustee of the Hilton College Foundation, past chairman of the Durban Club, governor of St Mary's Diocesan School for Girls and a director of the SA Association for Marine Biological Research.

whole page

Russell Marriott & Boyd Trust

(58)

Daily attention needed to maximise returns

ONE of the most important functions RMBT performs is the day-to-day administration of immovable property, a service vital to the success of any property investment.

RMBT administers 245 buildings throughout SA, situated primarily in the Johannesburg, Durban and Cape Town metropolitan regions, with a director responsible for each area. Bill Herd handles the Natal region, Roger Hunting the Transvaal and John Plimsoll the Cape.

"The reponsibility for property administration begins with securing suitable tenants and negotiating their leases prior to occupation.

"In addition to receiving the monthly rentals from tenants, an open line of communication is required to ensure that the various provisions of the lease are fulfilled.

"These can range from maintenance through to adequate insurance and the appropriate collection of taxes," the RMBT administration team says.

They say the maintenance of immovable property is of vital importance as it brings the RMBT staff in touch with the building industry and those that supply specialist services, such as air-conditioning, lifts, escalator services and energy controls.

Inspections

"Regular inspections of each property and direct communication with the tenants is important. Credit control is another function requiring firm and tactful control from many members of staff."

The RMBT property administrators say efficient property administration services require systems with which accurate data is gathered regularly on every property and its performance, in order to measure against budgets. The information enables management to assess market values of the properties in question and their relative performance over time.

Because the relationship between landlord and tenant is so important, a balance needs to be struck between their respective needs, says Hunting.

"Property administration is all about maximising the return to the landlord and addressing the needs of the tenants."

It is also vital, Hunting says, for a property administrator to be in constant contact with market rental levels in order to be in a position to negotiate new leases on appropriate terms.

Credit control is another aspect of crucial concern to the property administrator, Herd emphasises, and involves close liaison with tenants, particularly those whose businesses are under stress.

Herd says the unlet factors in the four unit trusts under RMBT administration remain satisfactory, despite the depressed economic climate. The outstanding rentals throughout the group reflect the application of tight controls, he says.

Disciplines

A sound knowledge of many disciplines is required to fulfil the responsibility of a property administrator in caring for clients' properties.

MD Mike Mun-Gavin says the best property unit trusts are generally to be found under the administration of professional property people.

BILL HERD

ROGER HUNTING

Property set to outperform Consumer Price Index

CONTRARY to conventional wisdom which regards property investments as dull and boring, property appears set to outperform the Consumer Price Index and other forms of investment, says RMBT director Kevin Moore.

Moore, who is chairman of the SA Association of Property Unit Trust Management Companies, is confident 1993 will be a promising year for top quality property unit trusts.

"It gives me comfort that property yields to market price are undoubtedly on the way down, which means capital values will increase.

"There are significant sections of the property unit trust industry which are performing very well and providing a great deal of stability to investment portfolios. This is in spite of the downturn which has placed some property portfolios with high vacancy levels under strain."

Moore says it is incorrect to generalise about the performance of property — attention must be given to the quality of the portfolio, including the location of properties, the financial strength of the tenants and the spread of the investment over different types of property.

He says commentators tend to look at the average performance, which has flattened despite the fact that there are several trusts within the sector which have improved their performances.

"We believe that selectively, property is closer to doing its real job than the market gives it credit for."

Another mistake, says Moore, is to compare the performance of property investments with that of equities or cash. All portfolios should have elements of property, equity and cash in proportions varying according to individual needs. The choice of property investment should follow only the decision on how much is to be allocated to each sector.

In Moore's opinion, too little property investment in SA finds its way into property unit trusts, which at present have a total market capitalisation of about R4,5bn — a small amount compared wtih the value of the total property market in SA.

The major reason for the relative smallness of the sector is that many financial institutions, for various reasons, own their properties directly, thereby keeping a huge portion of investment funds out of the quoted market.

The industry's growth is expected to gain impetus, now that regulations have been introduced to allow property unit trusts to expand their portfolios by the issue of units in exchange for properties.

In the past, the funds were closed in the sense that they could only expand by raising capital by way of rights issues.

Moore says this restriction placed the funds on an unequal footing in the property market as they could not take advantage quickly enough of the limited number of good investment opportunities.

Driving principles behind syndication still the same

PROPERTY syndications have become very popular as they enable small and medium investments to be made in specific properties.

RMBT has been involved in syndications since the early '50s and while methods and systems have changed over the years, the fundamental principles driving syndications have not changed.

Syndications director Dennis du Plessis believes the success of property investments, whatever method of ownership chosen, will always emanate from three basic elements: timing, location and function.

All well-balanced portfolios should have an element of property investment, he says. Taxation, income needs and security will determine the extent of each investor's exposure.

"The timing of any investment is critical. This is also true within the property market. A good property purchased at the wrong time in the economic cycle can be a headache. Conversely, unsuitable property purchased in a buoyant market will probably survive. Investors must seek to invest in good syndicates at an appropriate time. To achieve this good advice must be sought," he says.

Location will always be the cardinal criterion of success, he says.

Function — or the determination of value by the propensity of each property to generate now and in the future — is also imperative and property design is important, Du Plessis says.

"To purchase at the most opportune time, in the most appropriate place a property with ideal design and functional characteristics will result in the greatest success. The reverse of these criteria will undoubtedly sour any investor's appetite for property.

"To secure investments with these features, in a syndicated form, investors must have the utmost faith in the management and their skills in selecting suitable properties. Far too many properties have in recent times been syndicated for the wrong reasons.

"Stick to the basics and success will follow. Property syndications, well selected, with financially sound tenants, will always strengthen a portfolio. Property inappropriately financed will always cause problems."

RMBT has produced a booklet on the "do's and don'ts" of property syndications which includes the code of conduct published by the Public Property Syndication Association.

DENNIS DU PLESSIS

Market opportunities to increase this year

THE property market is likely to offer interesting opportunities to sellers and investors this year, says RMBT's Johannesburg CE Nick Harris.

He says the economy is bottoming out and a fragile upturn is likely during 1993. Such conditions normally favour property investment, particularly when vendors are short of capital and inventories require restocking. "Prime property yields are under downward pressure as institutional investors seek alternatives in the face of falling interest rates and an uncertain stock market."

Harris says industrialists are looking to optimise the use of their capital, which can be employed better in their businesses than tied up in property.

Injecting

"Some industrialists are disposing of their property portfolios and injecting the proceeds into the expansion of their production plants where they can obtain a maximum return on the resources available. Other than those with very specialised facilities, industrialists should not be property owners but should rather lease their factories," Harris says.

"There is a trend for companies to consolidate their operations under one roof. This achieves economies of scale and, by moving offices to industrial plants, reduces costs and increases efficiency.

"Regarding commercial property, I believe the spate of new office developments covered by developers' head leases or rental guarantees is ending, primarily because an increasing number of schemes have not been let at the end of the guarantee period."

Harris says the manufacturing sector must be a major thrust for job creation. With an upturn in the economy, manufacturing activity will improve and the demand for industrial space will increase with a subsequential upward pressure on rentals.

Company made sole agent of new industrial areas

RMBT has been appointed sole selling agent for three major industrial townships planned for Natal and the Transvaal and one under investigation in Cape Town.

The Kempton Park municipality has appointed RMBT to market its 60ha industrial township Aeroport, under development near Jan Smuts Airport.

Boost

The ultimate development value of the roughly 350 000m² of industrial building space will be about R500m, estimates Johannesburg branch CE Nick Harris.

"This will be a tremendous boost to both the economy and job creation in the East Rand. Kempton Park municipality must be congratulated on having the courage and foresight in these uncertain and depressed times to go ahead with such a scheme," Harris says.

"We believe it will prove to be very popular among industrialists who are looking for new premises, especially those from overseas and the freight industry because of its proximity to Jan Smuts Airport and to the distribution industry. It is situated just off both the R21 and R24 freeways."

In conjunction with Grinaker Property Development, RMBT has initiated and co-ordinated the Falcon Park industrial township on the site of the old Umgeni Power Station in New Germany, Natal.

Eighty-six sites valued at R35m will be marketed in the next few months. The four cooling towers, three 120m high stacks and the massive generation building will be imploded or demolished over the next 10 months.

Already widespread interest in the township is being shown by industrialists, RMBT says.

The park has easy access to the provincial and national road network and is only 15 minutes from Durban harbour.

Feasibility

RMBT special projects director Bill Howard has been involved with the project for 18 months, investigating the initial proposal and preparing a feasibility study of how the land should be developed. This took about nine months and involved the integration of many professional disciplines.

RMBT has also been appointed sole selling agent for Falcon Park and, in conjunction with Grinaker, is able to offer turnkey projects for clients.

In addition, RMBT is selling the Northgate Industrial Estate, north of Durban in the suburb of Red Hill, with ready access to the outer ring road.

The estate has a land value of R9,2m and a total lettable area of 52 820m². Irvin & Johnson and National Brands have relocated their major warehousing and distribution facilities to the township.

The remaining sites range in size from 1 200m² to 8 700m².

"This industrial estate will be developed to high specifications and will attract the attention of major industrialists."

NICK HARRIS

Mission statement

RUSSELL Marriott & Boyd Trust is an independent

Specialised division co-ordinates projects

MAKIN 608881

...professional team of principals and staff.

Its mission is to:

- ☐ Provide unrivalled services to meet the needs and satisfaction of its clients;
- ☐ Sustain growth in profitability and maximise shareholders' interest;
- ☐ Maintain the integrity, efficiency and prudence of its founders and successive staff;
- ☐ Enhance the skills and promote the loyalty of its staff;
- ☐ Maintain a reputation for excellence and reliability among clients, staff and the business community;
- ☐ Contribute to the community to which it owes responsibility.

PETER HYATT

RMBT has co-ordinated the development of new commercial and industrial projects for many years and has a development division to undertake the work.

The division was established under the directorship of Peter Hyatt when, by 1983, the volume of work had increased to such an extent that an independent department was necessary.

Hyatt's major responsibility is to promote and co-ordinate professional teams to ensure development of high quality new properties.

Hyatt says RMBT's role is that of project co-ordinator and includes preparation and evaluation of feasibility studies; selection of a professional team for each project; and cost management during construction to ensure projected returns are achieved.

Much of the development work is undertaken on behalf of the four property unit trusts under RMBT administration and the syndication division.

Projects valued at R30m currently in progress include a shopping centre in Hillcrest, additions to an Umdoni investment in Pinetown, extensions to a Higate property in Umhlatuzana and a shopping centre in Sandton.

Hyatt believes prospects arising from the industrial townships currently being developed through RMBT will provide excellent new investment opportunities.

...professional team of principals and staff.

Its mission is to:

- ☐ Provide unrivalled services to meet the needs and satisfaction of its clients;
- ☐ Sustain growth in profitability and maximise shareholders' interest;
- ☐ Maintain the integrity, efficiency and prudence of its founders and successive staff;
- ☐ Enhance the skills and promote the loyalty of its staff;
- ☐ Maintain a reputation for excellence and reliability among clients, staff and the business community;
- ☐ Contribute to the community to which it owes responsibility.


PETER HYATT

RMBT has co-ordinated the development of new commercial and industrial projects for many years and has a development division to undertake the work.

The division was established under the directorship of Peter Hyatt when, by 1983, the volume of work had increased to such an extent that an independent department was necessary.

Hyatt's major responsibility is to promote and co-ordinate professional teams to ensure development of high quality new properties.

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whole page
(58)

Russell Marriott & Boyd Trust

Higate's rights offer being snapped up

HIGATE Property Fund's rights offer to raise a net R63m — which is presently in progress — is expected to be taken up fully with commitments for 200% of the total issue already secured before the offer opened on February 12.

Units are being offered at 680c on the basis of 30 new units for every 100 held and the offer closes on March 5.

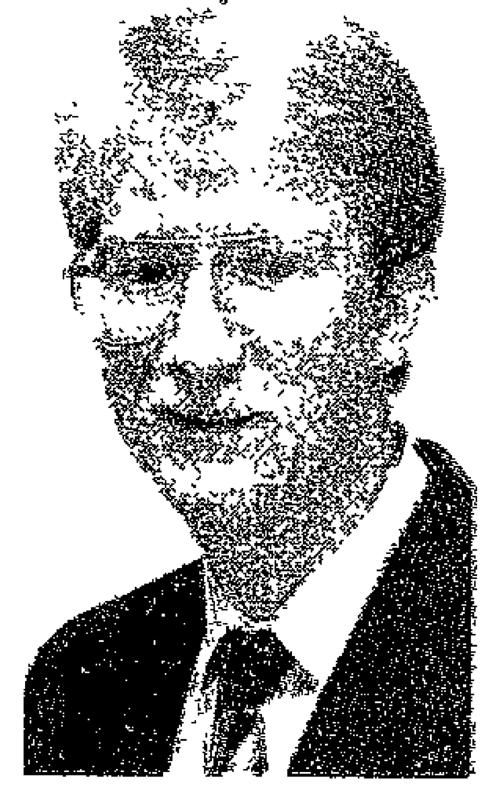
Based on the forecast distribution of 83,75c a unit in the year to end-April 1994, the forward yield on the offer price is forecast at 12,32%.

Of Higate's total units currently in issue, more than 70% are in the hands of eight major institutions.

Russell Marriott & Boyd's client accounting services director Craig Ewin says demand for units has been strong and he is confident that the rights will be keenly sought.

Higate has one of the lowest vacancy factors in the property unit trust sector with less than 1% of its total lettable area vacant on a temporary basis.

Since its inception in 1989, the fund's dividend growth has outperformed the sector average, being underpinned by the quality of its portfolio and its strong tenant base.



CRAIG EWIN

Most Higate properties are single tenanted on long-term leases containing annual escalation clauses and regular reviews.

Despite current difficult letting conditions, the management company believes Higate's prospects for earnings growth remain positive, especially as the fund has entered a phase of significant lease reviews which will continue to result in increasing rentals.

The provisions of the Unit Trusts Control Act prohibit property unit trusts from borrowing funds in excess of 5% of the book value of their portfolios. Therefore, they have to raise the finance necessary for further developments and investments by way of rights offers.

Funds raised in the current offer have been earmarked for several developments, including R11m to acquire and develop a property in Hillcrest, Natal into a neighbourhood shopping centre. Major tenants Woolworths, Milady's and CNA will occupy 50% of space.

The development is scheduled for completion in October 1993 with an expected initial yield after completion of 10,25% escalating at 12% a year.

Another reason for the offer is to acquire a property in Old Main Road, Pinetown, comprising showrooms, workshop and offices.

Ewin says Higate also needs funds to take advantage of prime industrial investment opportunities, arising from RMBT's involvement as sole selling agents of a number of industrial park developments in Johannesburg and greater Durban.

Furthermore, Ewin says Higate will expend capital on various properties in the portfolio which are capable of further development.

NEIL NOTHARD

Accounting team keeping pace

UNDERPINNING the growth achieved by RMBT over the past decade is a professional accounting team which has ensured that the efficiency of its backup systems have kept pace with the development of the group.

"The aim of the group services division is to provide management information and operating systems of the highest calibre to the other nine divisions in RMBT," says director and secretary Neil Nothard.

"As assets under administration have continued to grow, the support accounting team has, through adequate research and development into improved computer systems, maintained efficiency and service to clients."

Updating

RMBT's in-house analysts and computer programmers are constantly updating and improving existing systems or introducing new ones.

All systems in use have been specifically and professionally tailored—to clients' needs, to ensure optimum efficiency. The company reports regularly and promtly to more than 23 000 clients.

"The services provided are constantly changing to keep abreast of the increasing and varying demands of the expanding organisation and the continually changing statutory requirements within which we operate," says Nothard.

Star 17/2/93

Bid to protect bank customers

58

CAPE TOWN — The disclosure of interest rates and finance charges would prove to be the most important way to protect the public from malpractices, Minister of Trade and Industry David Graaff said yesterday.

Replying to debate on the Usury Amendment Act, he said he shared the misgivings of other MPs regarding the actions of certain banks, but was convinced that full disclosure of charges and interest rates would terminate such action.

Earlier, Dr Chris de Jager (CP Bethal) said he was concerned that because the Act had been too complex, interest rates and charges had been misunderstood. — Sapa.

Sowetan 17/2/93

Emirate lifts trade ban

(58)

DUBAI — The emirate of Dubai has notified banks they may do business with South Africa, lifting a formal ban imposed on the country in protest against its apartheid policies.

The Dubai branch of the Israel boycott office, which also handled South African sanctions, told banks last week of the decision, an official at the boycott office said yesterday. - *Sowetan Correspondents and Sapa*

Islamic Bank opens branch in Cape

58

CAPE TOWN — The Islamic Bank opens a branch in Cape Town — its third in South Africa — today.

The branch is at the Islamic Bank Centre, the bank's new Cape headquarters in Long Street. Other branches are in Johannesburg and Durban.

The bank says its investments are risk orientated.

Services offered include the buying and selling of commodities and housing and property development on a joint venture basis.

Chief executive Ebrahim Kharsany says the bank does not place profit maximisation as its priority.

"Our mark-ups are reasonable — in fact we are the cheapest source of funds in the country.

"Our objective is to assist our clients and not exploit them.

STAR 18/2/93

"In terms of investments, we have also decided to focus the bulk of our activities on the middle and lower income groups, supporting particularly the informal business sector.

"In this way our money is spread more widely and helping more people."

Its assets exceed R100 million, the bank says. — Sapa.

Sanlam names first English speaker as MD

BIDAM 18/2/93. (58)

LINDA ENSOR

CAPE TOWN — The principle of unbundling companies within the Sankorp fold was a sound one and was being investigated by these companies, Sanlam's new chairman, Pierre Steyn, said yesterday.

The naming of former MD Steyn as chairman and of former senior GM: individual assurance Desmond Smith, 45, as MD was made at the AGM yesterday. Smith, an actuary and the first English-speaking MD of Sanlam, has been with the organisation for 25 years.

Sankorp CE and deputy chairman Marinus Daling, 47, has been appointed deputy chairman of Sanlam. The appointments follow the decision by former chairman

Steyn said Sankorp, the investment subsidiary arm of Sanlam, would not be unbundled itself as its role was to monitor the performance of its underlying subsidiaries. Gencor and other companies in the group were looking at the pros and cons of unbundling, Steyn added.

Steyn pointed out that while Sanlam in the past was an exclusively Afrikaans organisation, it now served all South Africans in the middle to upper income groups and would continue along this path. Black policyholders formed a significant proportion of Sanlam's client base and this sector was the fastest growth area.

As the Sanlam board of directors was elected by policyholders, Steyn foresaw that blacks would be elected and that their percentage of managerial staff would increase.

He reiterated Sanlam's policy that investment in housing would be made subject to the guarantee of adequate security and the achievement of an adequate investment return. The assurer would not support subsidising housing, nor would it place money at risk through rental boycotts, he said.

□ Van den Berg called for a "cleanup" of business by eradicating the lack of business ethics, and for action to be taken against corruption.

Bank vetoes savings and loan scheme

PETER GALLI (58)

THE Reserve Bank had stopped an IDT-backed "savings and loan" bank from taking deposits from the public, Registrar of Deposit-Taking Institutions Hennie van Greuning said yesterday.

He said public funds could possibly be used in the future for loans by a non-banking institution, but this would have to be subject to a maximum limit and was "only a concept" at this stage.

This decision followed Reserve Bank concern about the application, under the Co-operatives Act, for registration of the Metropolitan Housing Finance Co-operative (MetCo). B DAY 18/2/93.

MetCo was granted a R25m loan from the IDT to allow it to provide personal and housing loans to underprivileged communities, but also planned to use funds raised from its members as an additional source of capital for loans.

The Registrar of Deposit-Taking Institutions, the Registrar of Co-operatives and the IDT had held discussions and it was decided that no public money would be allowed to be used for loans.

"There is a mechanism in the new amendment to the Deposit-Taking Institutions Act that allows public money raised by such companies to be deposited with a bank and earn interest.

"However, the account has to be in the name of the individual and the company merely acts as a money broker," Van Greuning said.

This would give MetCo security for its loans, while fulfilling the requirements of the Act. This solution was problematic as it was effective only as long as IDT or state money continued to fund the loans.

"We will be looking at a long-term solution to this problem as it is no good just giving an ad-hoc decision. A long-term principle must be found and I will be considering the issue," he said.

Banking spinoff for SA computer industry

BDAY 18/2/93

THE Bank of England's decision to grant three banking licences to SA banking institutions is having positive spinoffs for the local computer industry.

Investec Bank and Absa use SPL's asset and liability management system, and SPL recently installed the system at Absa's London branch. Investec is now evaluating the system for use in Britain.

SPL banking division head Daan Mare says the system allows banks to evaluate funding decisions taken by overseas subsidiaries and branches.

"It enforces critical disciplines which must be taken into account when involved in funding and investing operations anywhere in the world," he said.

Mare says a number of SA banks with direct links to counterparts in Europe get more than 50% of their funding from overseas resources. "For this reason, acceptance of SA banks by the international community is essential.

"Although the facilities always existed, the volumes have increased, as have related risks such as interest rates, liquidity and currency risks.

"Treasurers need accurate information to decide when to draw money overseas depending on the actual rates, the shape of the yield curve, covered costs, swap costs and availability of funds compared with local conditions."

Absa uses the asset and liability management system to calculate risk exposure per individual divisions. Also, the system allows the bank to look at a consolidated position, thus tracking the exposure of different divisions and multiple currencies.

Investec Bank merchant banking division MD Stuart Hain says his bank's strategy is to implement the system in London on the same basis as in SA.

Land Bank credit

STAR 18/2/93.

The Government had credited the Land Bank with a once-off payment of some R2,262 billion to defray carry-over debts of 36 agricultural co-operatives, Budget Minister Org Marais said yesterday.

(58)

R1 m bank fraud probe

The Argus Correspondent (58) ARGUS 18/2/93

PRETORIA. — Police are scrutinising the books of First National Bank here following alleged fraudulent transactions involving about R1,2 million.

Spokesman Major Andrew Lesch confirmed the SAP Fraud Unit had been working on the case since December last year after the bank's auditors found the alleged misappropriation of money.

It is believed a former FNB branch manager transferred money to her husband's business account by creating fictitious overdraft facilities and mortgages.

Police expect to make an arrest soon.

Palamin takes knock but shareholders get payout

BDay 18/2/93

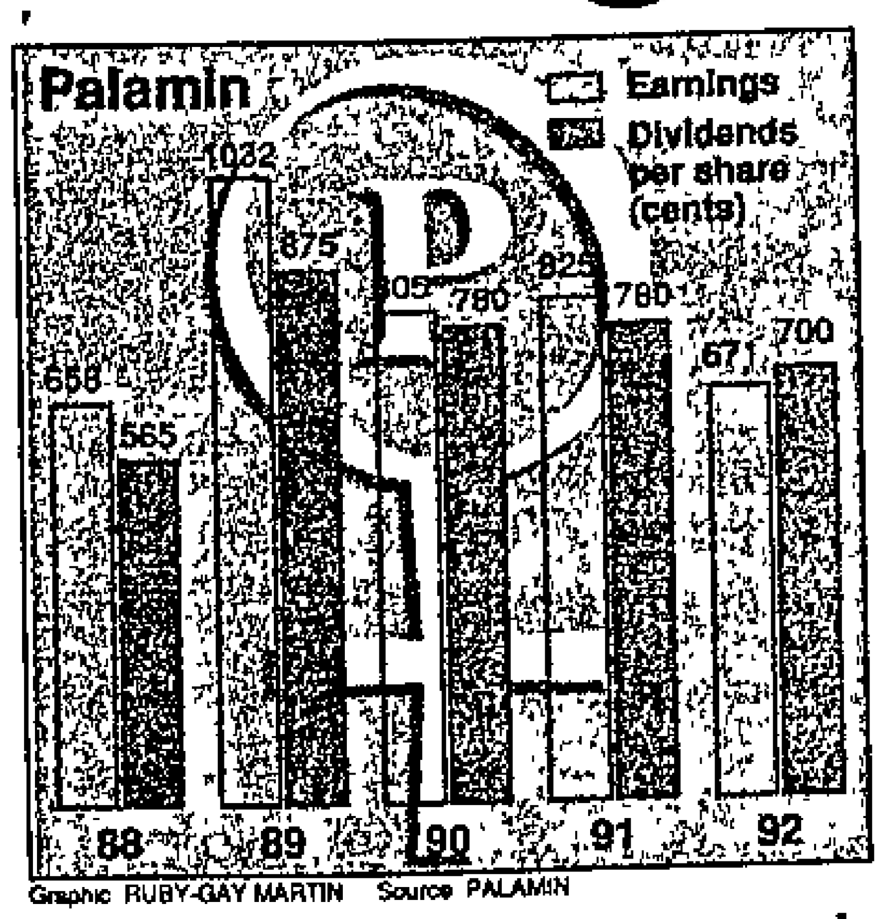
JONO WATERS

PALABORA Mining (Palamin), SA's largest copper producer and owned by Rio Tinto Zinc, reported a sharp drop in earnings a share in the year ended December 1992 as profit was knocked by flat rand copper prices, lower copper metal sales and rising costs.

Earnings before extraordinary items amounted to 671c (825c) a share.

Palamin paid out all its earnings to shareholders — a final dividend of R3,10 a share was declared — bringing the total payout to R7,00, compared with R7,80 the previous year.

The group normally pays out 90% of earnings to shareholders, but company secretary Keith Lendrum said yesterday that the company paid out "a 100% dividend instead of 95% as planned as the difference was only R10m".



Graphic RUBY-GAY MARTIN Source PALAMIN

Palamin does not publish turnover figures in its year-end statement, but the company said operating profit fell to R374m (R452m).

MD Frank Fenwick was not available for comment, and the group gave few details of the volumes of copper metal and concentrate sold.

Pre-tax profit fell to R392m (R458m) and Palamin paid out R202m (R225m) in tax and lease considerations.

After-tax profit dropped to R190m (R234m) and extraordinary items of R8,67m (R10,9m) pushed attributable income to R199m (R244m).

Lendrum said "better than expected" copper prices averaged R6 596/t (R6 537/t) on a 5% drop in metal sales to 108 000 tons. However, copper concentrate sales more than doubled.

Output from Palamin's smelter was "below budget", Lendrum said, but declined to say whether this reflected lower recoveries from the plant.

He added that the project to upgrade the ageing smelter was at "an advanced stage". Most of the work would be completed by mid-year.

Profurn performs strongly despite liquidation setback

BDay 18/2/93

MARCIA KLEIN

IN A difficult year to end-December which included the liquidation of ultimate holding companies Supreme Holdings and Supreme Investment Holdings, Protea Furnishers (Profurn) reported a 15,4% rise in attributable earnings to R6m (R5,2m).

Earnings a share were reduced to 6c (7,3c) on an increased number of shares in issue.

CE Alex Maraney said yesterday the results were achieved in a difficult trading environment, which included the severe effect of the liquidations.

A 20,2% turnover rise to R158,2m reflected good trading in November and December and the inclusion of several new stores.

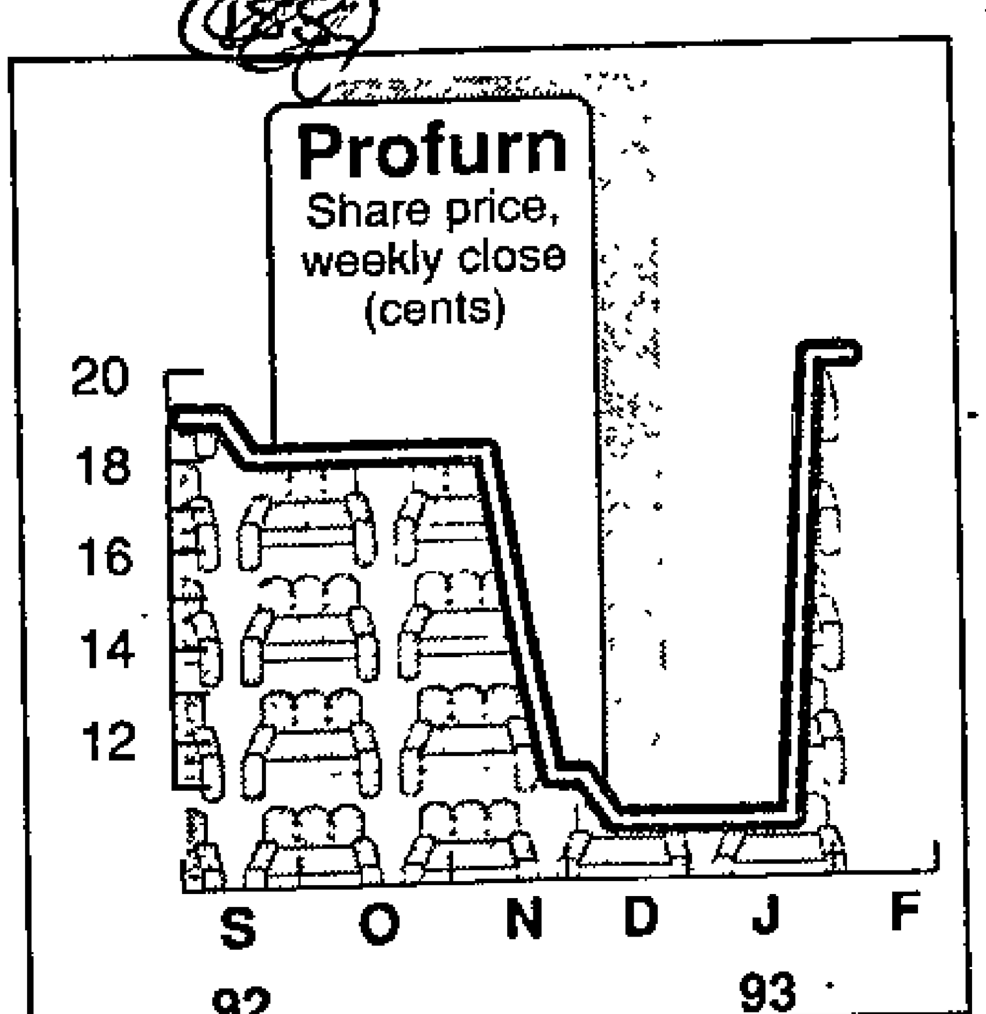
Operating profit was 13,8% higher at R26,3m with the pressure on margins reflecting difficulty in obtaining supplies.

The interest bill rose 16,7% to R14,9m.

Financial director Brian Rosenberg said agreement had been reached between the liquidators, the trustee for the holding companies' debenture holders, Profurn and other parties to capitalise R45,3m debt due to the liquidated holding companies. The agreement, awaiting approval of debenture holders, would see controlling companies receive 252-million shares at 18c each in settlement of the debt.

If the debt were to capitalised, results and gearing would reap substantial benefits, he said.

Gearing would be reduced to below 15% from 200%, and would be kept low as Profurn would not use borrowings to expand.



Graphic LEE EMERTON Source I-NET

Taxation was reduced by 2,9% to R4,7m, bringing profit after tax up 21,7% to R6,6m. But after an increase in profit attributable to outside shareholders, attributable profit was 15,4% up on the previous year.

An R8,5m extraordinary item referred to provisions for losses from the closure of 11 stores.

No dividend was declared.

Maraney said results were now comparable with the major furniture groups. Debtors provisions amounted to 38,4% (25,4%) of the gross debtors book.

Bank scraps paper rule

BDay 18/2/93

DUMA GQUBULE

THE Reserve Bank has bowed to pressure and scrapped a regulation which had been hampering the development of a significant commercial paper market in the country.

It relaxed the requirement that companies wishing to borrow from each other by issuing commercial paper should have commercial bank endorsement for the transactions.

The Reserve Bank, however, restricted such transactions to companies with a net asset value of R100m. The minimum amount for the transactions is R1m.

Standard Merchant Bank treasurer Chris Kenny said yesterday the Reserve Bank had cleared a major obstacle to the development of a commercial paper market in SA.

He knew of only two corporate issues which had been floated last year.

Some major corporates had not been prepared to seek bank endorsement, believing they were more creditworthy than some the major banks involved.

BUSINESS

Stop paring, start cutting

W/Mail 12/2 – 18/2/93 (58)

The Reserve Bank's caution on lowering interest rates is understandable with a weak balance of payments. But such tight monetary policy might be inappropriate.

By **HILARY JOFFE**

THE one percentage point cut in interest rates announced by Reserve Bank governor Chris Stals this week will do little to relieve the pressure on recession-battered consumers and businesses, raising the question of whether the cut was enough.

Stals indicated the timing of his announcement was a response largely to the release of the December consumer price index (CPI) figures, which showed inflation had fallen below 10 percent for the first time since 1978. Real interest rates (the difference between interest rates and inflation) had therefore increased considerably, he noted, so that "nominal interest rates can be reduced without signifying any fundamental easing in monetary policy".

The cut in Bank rate (which sets the trends for other interest rates, because it is the rate at which the Reserve Bank lends to the commercial banks) from 14 percent to 13 percent simply reduced the real rate to the approximately three percent at which Stals has tried to keep it in recent years. Following the cut the prime overdraft rate charged by most banks stands at six percent in real terms.

Stals stressed that a further cut in Bank rate was not possible at present, mainly because of the weak balance of payments (BoP) situation and the large deficit in government finances.

South Africa's gold and foreign exchange reserves have fallen by more than R3-billion over the past four months, because the surplus run up on the current (foreign trade) account of the BoP has been insufficient to cover the sizeable capital outflows recorded recently.

Rand Merchant Bank economist Rudolf Gouws says it would have been irresponsible for the Reserve Bank to cut rates by more than one percentage point given the uncertainty about the BoP and the large fall in gold and foreign exchange reserves. There is scope for further cuts later, he adds, noting that interest rates have already declined by four percentage points since this time last year. "This week's cut will not in itself reawaken the urge to spend but it's part of a process which will eventually see the economy turn," says Gouws.

But University of Durban-Westville economist Stephen Gelb queries whether such tight monetary policy is appropriate. There may not be an argument for negative real interest rates, he says, but there is a strong case for relaxing monetary policy to allow much lower positive real rates.

The economy is in deep recession and the political situation is not likely to lead to significant improvements in the economy in the short to medium term, says Gelb, adding that there is nothing sacred about a three percent real interest rate.

Current monetary policy is aimed at defusing inflationary pressures in the economy and Stals has often argued that too rapid wage and salary increases are a major cause of inflation. Gelb says rising wages do make a contribution to inflation but argues tight monetary policy is a very blunt instrument with which to knock inflation out: "It throttles the whole economy in an attempt to force wage increases down — it creates more unemployment, more bankruptcies and makes the fiscal situation worse."

A more appropriate way of controlling inflation would be an explicit incomes policy, says Gelb, in which wage increases and increases in other forms of income (such as profit and therefore prices) were targetted on the basis of an agreement by all parties. Such a policy must involve more than just wages if the trade unions are to agree to it. An agreement of this sort is possible if the National Economic Forum gets its act together.

Consumers struggle

YEARS of rising taxes and higher prices have severely eroded household finances, with the position of the average consumer now no better than it was 20 years ago, Sanlam's latest *Economic Survey* shows.

In 1991, personal disposable income per head in real terms was at approximately the same level as in the early 1970s. Total real personal disposable income rose by only two percent a year during the 1980s, down from 2,6 percent in the 1970s.

Sanlam says in nominal terms, pay packets grew faster in the 1980s than in the previous decade but an increasingly heavy personal tax burden weakened consumers' financial position. Personal tax as a percentage of current income rose from an average eight percent during the 1970s to around 13,5 percent in 1991.

Sanlam predicts that 1993 will be another difficult year for consumers. However, further interest rate cuts should reduce the financing costs of bonds and of credit. Also, the cost of living is expected to increase less rapidly: Sanlam's economists predict an average inflation rate of about 10,5 percent for 1993, down from 14 percent last year.

Bottom end of market has been reached

Property values depend on peace and prosperity

STAR 19/12/93. 58

Bottom heavy: A spokesman for the Perm says the rise in prices will depend on the strength of the market which is strong at the lower end and weak at the top.

HOUSES will continue to be an investment and provide the required shelter. However, the value of any property investment depends on its location, structure and the original price paid.

To be a good investment, the property should not be overvalued, it should be in a popular area where security is possible. Despite these prerequisites, future property values depend largely on politics and peace.

According to the Perm, houses represent good value, but are not really cheaper. They are over-priced as the sellers are asking high prices which buyers are not prepared to pay. Buying demand is currently strong at the lower end of the market.

Although the housing market is affected by the general economic situation and therefore unemployment, according to one financial institution, the bottom of the property market has been reached and prices are expected to rise.

Although some domestic prices dropped in the past year, the average property value has been maintained and SA has not experienced the dramatic drops suffered in Britain where values have fallen below the original bond cover.

A spokesman for the Perm says the rise in prices viz-a-viz the inflation rate will depend on the strength of the market which is strong at the lower end and weak at the top.

The increasing unemployment and downward spiral of salary increase results in a lower rate of affordability and affects overall demand for housing. The present general weakness in the housing market is directly attributable to the prolonged and deep recession we have had. General socio-political uncertainty also affects the housing market.

Scott McRae, managing director of estate agents Camdons Nationwide, says: "I believe the buyers' market may soon be a thing of the past although I also feel sellers must be careful not to ask unrealistic prices. Prices are unlikely to fall, however, they might in individual geographic areas, where additional influences, such as depressed local economy, come into play.

"There is in fact an opportunity for investors to shop around and to acquire more property for the same money by taking advantage of price differentials from city to city or town to town.

"However, the general prognosis is that prices will start moving up again now."

The standard requirement whereby bond repayments should not exceed 25 percent of the family income is still regarded as a safe yardstick. The reason for this requirement stems from the increased expectations of the average householder.

In the early '50s, most householders were happy to have a roof over their heads and a bathroom but the boom years changed these undemanding needs to luxury. During the '60s, luxuries became the norm with houses being built with four bedrooms, two bathrooms, swimmingpools, fenced surrounds and double garages.

Going, going . . . The owner of this traditional flint house in West Sussex, England, tried to sell his house by lottery. He didn't get his asking price and had to return the money to all participants.

Most financial institutions want to help bondholders maintain their properties. Bank and building society clients should tell their managers of unemployment and retrenchment or reduced financial income and very often an alternative plan can be made.

Agreements can be reached whereby the interest only is paid until circumstances improve. Once the bondholder is re-employed and his financial circumstances improve, his bond repayments will be higher — to catch up — but he will have retained his home.

Banks and building societies repossess properties as a last resort. The decision is taken reluctantly. One major bank reported out of 90 000 property loans, only 300 are in repossession — representing 0,3%.

"The banks are naturally reluctant to be specific about their repossession problems and the extent of any such problems varies from bank to bank," says McRae. "The number of repossessions has probably peaked and has in any event been well managed through great leniency and understanding expressed by temporary moratoriums on bond payments, extended payment periods and the like. I believe we are over the worst in this respect."

It is likely that banks and building societies will follow the British trend by offering a variable rate system, depending on the risk involved. A spokesman for the South African industry said that equity-related rates have been mooted.

The Perm offers varying interest rates, these are calculated according to bond amount, affordability and financial risk involved. SA financial institutions cannot afford to charge interest higher than the going rate, as borrowers are very quick to move bond, and the financial institutions are prepared to pay transfer costs.

However, the fixed rate system, whereby the Abbey National building society in Britain is offering a very low interest rate of 6,99 percent for five years "is dangerous" and unlikely to be copied in SA. The Perm spokesman says some SA institutions offer fixed rates, but only for two or three years. "It is not really a proposition in this country at the moment, as interest rates have been falling and there is a possibility of further downward adjustments. In these circumstance, a fixed rate would not benefit the bondholder."

If and when the bank and bond rates ever reach single figures, depends on inflation coming down to low single figures. The Perm view is that it may occur but it is improbable given the structural characteristics of inflation in SA and the expectation of economic recovery. The most opportune time for eradicating inflation is when the economy is in a state of recession. Some progress has been made but underlying inflation still remains in double digits.

McRae says: "The bond rates reaching single figures depends on inflation and I am not optimistic. The current levels, it should be remembered have been achieved on the back of an actual decline in the country's growth rate. I believe there are a lot of pent-up inflationary forces which are being artificially contained by this slowdown. Single digit inflation is therefore temporary in my view and bond rates will rise again. It is only a question of when."

Finally, all financial loans have an inherent risk factor which is balanced by the amount advanced into the various risk categories and it is determined by the risk profile of the client irrespective of race or colour.

COMMERCIAL PAPER

FM 19|2|93

More heat than light

It had been hoped that the Reserve Bank's new regulations governing commercial paper — effectively the rules and conditions allowing companies to borrow from each other without recourse to a bank — would open the way for a vibrant commercial paper market. This is the case abroad but the effect could be exactly the opposite.

True, a major obstacle to the market's development under the previous regulations, the requirement that a deposit-taking institution must endorse each issue, has fallen away. That requirement had come about under pressure from the banks, who saw their position as lenders threatened.

Nevertheless, a number of provisions, notably new disclosure requirements, do anything but encourage a commercial paper market. While most potential players welcome the principle of greater disclosure, they are opposed to the form it takes. They feel the obligation on the issuer, at the time of issue, to produce its most recent financial statements, as well as disclosing capital, reserves and liabilities as certified by its auditors, amounts to a duplication of the auditor's job — and additional cost.

In addition, issuers are required to estimate the amount of commercial paper they expect to raise that year — an extremely

continued

FM 19|2|93

difficult, if not impossible, task.

Corporate Paper Forum joint chairman Mike Lammas fears these provisions will induce potential issuers to look for other sources of finance where disclosure requirements are less onerous, such as bankers' acceptances, which are expressly excluded from the definition of commercial paper.

Moreover, because no ceiling is placed on the maturity of commercial paper, the disclosure requirements come into play only at the time of issue. The Bank Supervision Department of the Reserve Bank agrees this could be problematic, but says: "The onus is on the investor to obtain this information from the issuer and make his own value judgment."

Lammas is quick to point out that this flies in the face of the principles behind the Jacobs report, which calls for greater disclosure and the closing of loopholes. He suggests the UK example could have been followed where only listed companies — which meet London Stock Exchange disclosure requirements — can issue commercial paper. UK commercial paper has a maximum tenor of two years.

A further problem for corporates relates to the prohibition on market-making in paper to obtain overnight funding. Head of the technical committee at the Association of Corporate Treasurers, Tom Makinson, says this will be inhibiting, since most market-making in commercial paper would be to raise overnight funding. "This seems to have been included at the insistence of commercial banks, who want to protect their profitable overnight lending activities."

The Supervision Department says this provision was included because of a "concern that overnight loans would be received under the guise of commercial paper."

But Lammas says the Bank's position is anomalous: "They include call bonds in the definition of commercial paper — instruments which by their very nature can be considered as a means of overnight funding since they can be 'called' at any time."

Market-making in debentures with a longer than five year tenor is also prohibited. Says Lammas: "The intention, as with the disclosure provisions, seems to be to prevent a fiasco of the Masterbond or Supreme kind. But this should be the role of the Companies Act and other regulations."

Companies with net assets of more than R100m can issue paper in minimum blocks of R1m. Commentators view the net asset condition as arbitrary and no measure of financial health. "A firm with net assets of more than R100m could be going to the wall while one with lower assets could be going strong," says one.

The Supervision Department agrees the net asset requirement is problematic but points out that it was included as a compromise with the banking sector.

Both conditions fall away if: an issue is bank endorsed or listed on an exchange; the issuer is government or backed by government; or the term exceeds five years. ■

THIRD PARTY FM 19/2/93

Put a lid on it

~~59~~ 58

We need affordable motor insurance schemes

Third-party cover for motorists has been described by the scheme's administrator as "a Rolls-Royce system inappropriate in a Third-World country." He is right — and there has never been a more opportune time to correct the system, following the exposure of maladministration and fraud in the affairs of the Multilateral Motor Vehicles Accident Fund (MMF).

There are just 10 weeks till the services of the short-term underwriters who act as agents for the fund are terminated. Some expect renewed contracts from May 1. But before then, major decisions must be made:

- If the fund is to continue in roughly the present form, which saw it run up a theoretical deficit of R3bn in five years, it will need a new director. Incumbent Willem Swanepoel is temporarily assigned and wants to return to his job as CE of SA Special Risks Association (Sasria);
- The formalities of the transfer of the fund from the jurisdiction of the Department of Transport to that of the Financial Services Board, which regulates all other insurance activity, must be completed;
- A decision on the business allocations of "agents," some of which materially contributed to the mess, is necessary; and
- Crucially, a drastic overhaul of claims

continue

 FM 19|2|93 (58)

procedure is needed to prevent further losses. The favoured solution now emerging is to cap the amount that can be extracted in an individual claim and run the fund on much the same lines as the Workmen's Compensation Act.

An overhaul is obviously required, especially after the latest tales of fraudulent behaviour in the report of former Auditor-General Peter Wronsley. Those who can remember when this insurance was proved by paper discs, attached to the windscreen by complimentary plastic stickers supplied by insurers and motor manufacturers, all for R17 a year, might welcome the return of a similar system. But that system was openly flouted by many motorists.

The MMF frauds are serious but did not produce the R3bn deficit — if such a deficit actually exists. The mess was born when the State, in return for a levy at the fuel pump every time a driver tanks up, created an open chequebook to pay for personal injuries and deaths caused by motor vehicles. This created a festive environment for the legal profession and opened the door to litigation on a scale seen in SA only in US soapies.

The size of the current deficit is not the problem. Wits University's Prof Robert Vivian doubts if even R500m of the deficit was caused by the fraudulent behaviour of a minority of medical practitioners, attorneys and others who cut the MMF pie. The problem lies in the way the system is constructed.

Vivian is also cautious about the way the R3bn has been "established." Much of it is, in insurance jargon, RBNF (reported but not run off). If the fund is restructured immediately on realistic lines, these provisions could turn out to be grossly overstated.

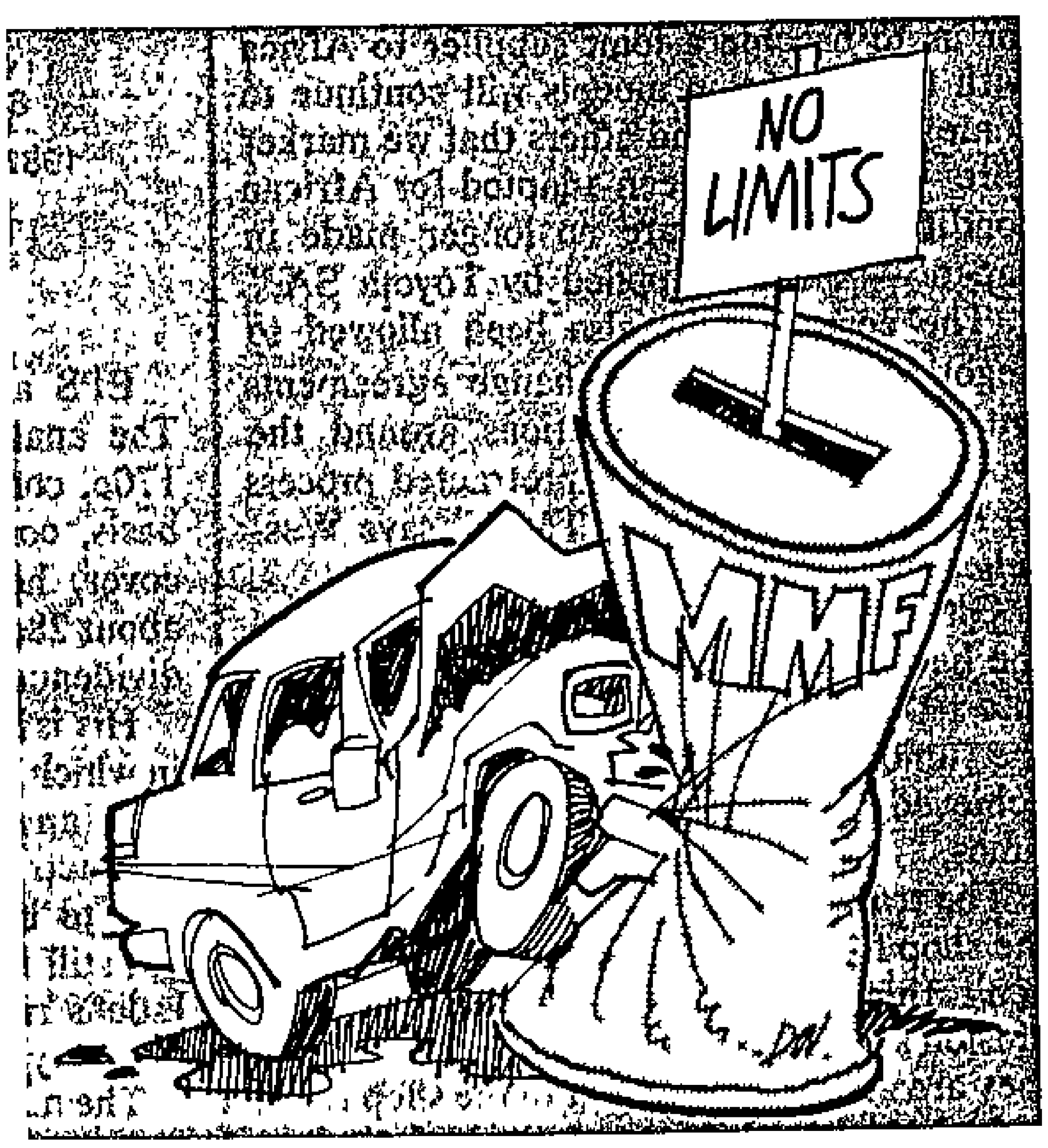
There are three main options in motor vehicle insurance:

☐ Third party, covered by the fuel levy which the MMF collects, relates to personal injury, disability and death. The injured party, or his estate, claims from the MMF which, in its discretion, may claim from the party which caused the damage.

The degree of compensation seems often to have been determined by the amount of legal leverage applied by claimants. The largest recorded claim against is for R7m in respect of a Japanese tourist, the damages being calculated on a scale which included the low value of the rand and the high cost of medical maintenance in Japan. The legal curiosity in that case was that the tourist was a cyclist and had thus, in all probability, contributed little via the petrol levy to the fund which ultimately paid him out.

☐ Balance of third party, designed to cover a motorist for damage he causes to another vehicle or other property. It does not cover his own vehicle or its contents, for which he is held responsible. Balance of third-party cover is mandatory in some First-World countries but this has been rejected in SA, though insurers see it as a potential source of new business. It has been claimed to be a racially based form of taxation, as it might be perceived to be targeting taxi owners — of whom only a minority take out balance of third party or comprehensive insurance; and

☐ Comprehensive insurance — usual on most new vehicles and insisted on by banks on leases or suspensive sales. The nominal owner of the vehicle is covered against all eventualities, including damage to his own vehicle as well as damage or injury inflicted on others. In most cases, the nominal owner bears a proportion of the financial losses.



The MMF succeeds the MVA, which succeeded the token system. It took several commissions of inquiry to determine what elementary motor insurance was appropriate for SA. The system funded by the fuel levy became the MMF in 1987 when the TBVC countries became signatories to the agreement, so that claims transcend borders.

One outcome of inquiries into the MMF has been the proposal that control be transferred from the Department of Transport to the Financial Services Board (FSB). This week Transport Minister Piet Welgemoed announced he has appointed a special adviser to investigate the MMF's funding. The board will usually not countenance an insolvent insurer but, as the MMF has government behind it as reinsurer of last resort, the rules are being bent.

FSB manager for short-term insurance Nico Fourie can expect to find the MMF in his portfolio. He says: "If you cut out the fraud element, what do you find? Possibly a sophisticated form of cover?" That, not the element of fraud which has surfaced, may be the root of the problem.

Fourie believes there could be justification for capping payouts. Vivian goes further. "The way the fund was created may have encouraged the US type of litigation, introducing a new type of claims mentality."

Vivian sees justification for a table of compensation similar to the Workmen's Compensation Act — so much for an arm, so much for a leg, so much for a life. But that might create even more ambiguities than now exist. One man has 12 children to support; he lives in Alexandra. Another has a Sandown life style and two children to put through university — a totally different set of needs.

Fourie says more data is needed before the MMF can be reshaped. There's a lack of appropriate medical data. "We need an actuarial viewpoint, for example, to calculate present values of future payouts."

The MMF is not the first time government has got insurance sums wrong. Sasria now has a R3bn surplus. Some insurance experts say this is too high; others, that it could be unrealistically low.

Before the MMF was set up, there was a long period when the consortium of insurers was happy to pool premiums and pay out their share of claims. When the claims ratio became too high, they requested a substantial premium increase, which was rejected and the levy system introduced instead. Naturally, agents enjoyed the scheme because it was almost impossible to lose money.

To many people, the levy made more sense, though Vivian is unconvinced that a truck owner — who uses much more fuel than a private motorist — is responsible for a proportionately greater number of accidents.

Compulsory third-party token schemes were flawed — at one stage it was estimated that fewer than half of the tokens were legitimately bought. And, though short-term insurers can take time to assess claims experience, they did in the end pronounce that the risk was not adequately covered by premium income.

The options now are limited:

☐ Pay for the Rolls. If we insist on a first-class system with a bottomless pit of money, it must be funded. That does not imply doubling the fuel levy immediately, because, as Vivian quickly points out, a third-party scheme is not like conventional insurance. It does not need to be solvent in the same way as a short-term insurer. If ever there were an excuse for cash flow underwriting — "pay as you go," says Vivian — it would be for a State-backed third-party scheme; and

☐ Trim benefits, drastically. This option is gaining favour because it would ensure that no victim or dependant would starve as a result of an accident.

A parallel could be drawn with the medical industry: the State providing minimal but essential benefits and those who have needs beyond this contributing to medical aid or top up insurance. Similarly, those who feel a need to provide large sums for their dependants in the event of an accident would have to understand the limitations of the State and make personal provision instead. ■

Now's the time to buy a house

Property pays off in the long term

STAR 19/2/93. (58)

Hot property: Houses are exceptionally good value at the moment, says NBS assistant general manager Trevor Olivier.

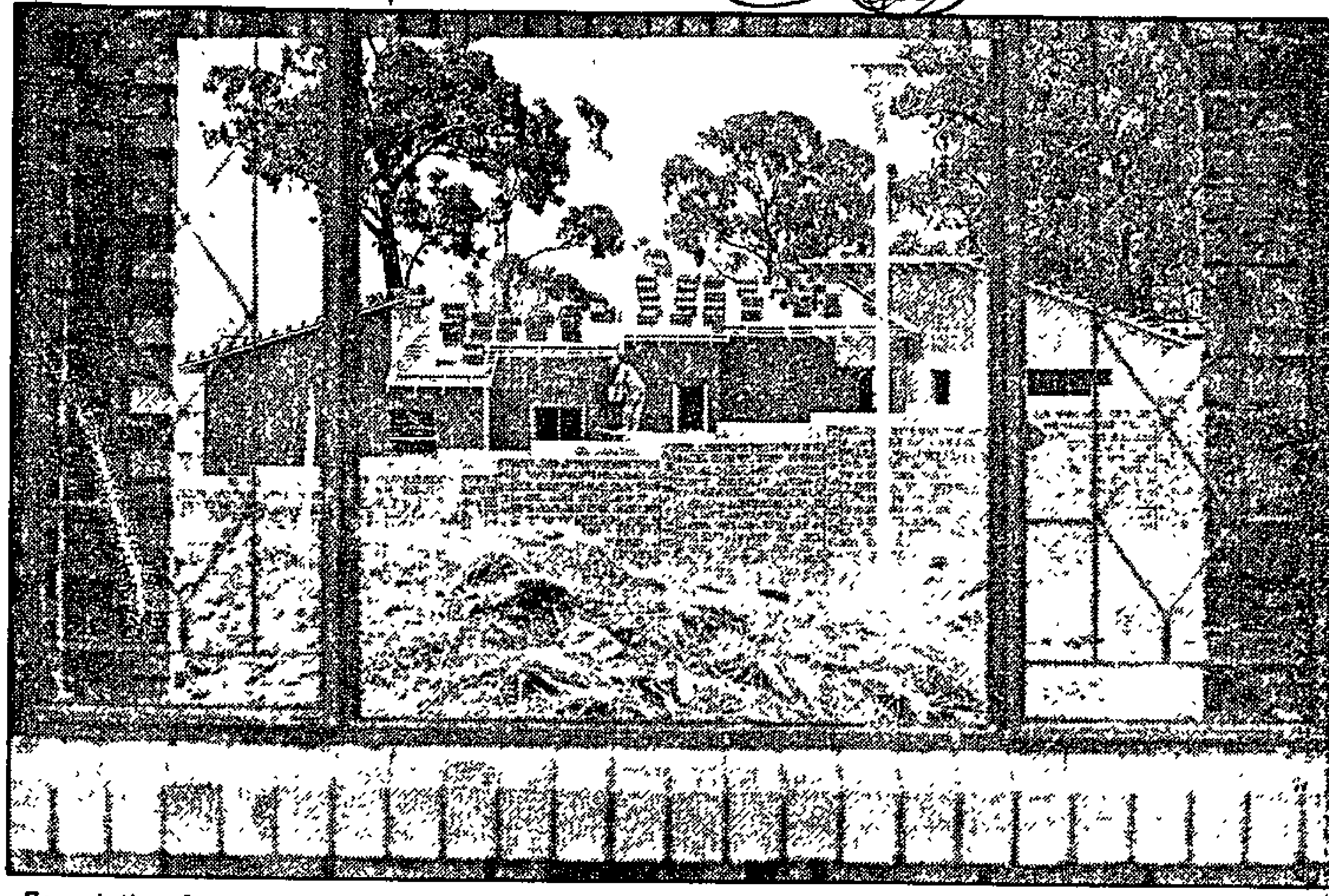
PROPERTY investment is long term and is still one of the best investments available.

Olivier, assistant general manager of the NBS. "I do not necessarily agree that houses are cheaper, because it depends with what they are being compared. Houses are exceptionally good value at the moment, particularly existing homes because you can buy a house for about 30 percent less than its replacement cost. If, for example, you compare the increase in the prices of motor cars over a given period with the increase in house prices, car prices increased three times more than those of houses.

"I do not believe that housing in this country can possibly be cheaper because it is an inflation-linked investment and the long-term prospects for inflation are not optimistic, taking into account the social needs of this country.

"Social spending will not result in an equal increase of productivity and inflation will return to higher levels for the foreseeable future. There is a growing demand for housing in SA and, as the economy improves with income and job creation, it is my view that house prices will escalate at a phenomenal rate assisted mainly by the fact that very few new housing schemes have been initiated over the past three years."

The traditional building societies were required by the authorities to limit repayments on loans to a maximum of 25 percent of dependable income but with the competition from the banks, this requirement has been increased to 30 percent.



Foundation for prosperity . . . Housing in this country cannot possibly be cheaper because it is an inflation-linked investment and the long-term prospects for inflation are not optimistic, says NBS assistant general manager Trevor Olivier.

"This is certainly not a safe yardstick in all cases. Each case should be treated on merit dependent upon the level of income and other commitments. Loan applicants must also exercise self-discipline otherwise the financial institution is perceived to be paternalistic," says Olivier.

"In my view we have reached the point where home loan rates will stabilise at present levels and, unless the demand for credit deteriorates with a further deepening of the recession, home loan rates will not reduce much further. The long-term prospects for lower rates are also not optimistic in view of inflationary pressures."

Olivier says the majority of repossessions are due to unemployment, retrenchments and the failure of businesses. Obviously the more repossessions there are, the more pressure this will place on the market as financial institutions will endeavour to dispose of these properties as quickly as possible.

"It is difficult to estimate the financial losses caused by repossessions. While the figure might seem high, compared with the total amount being lent on property, it represents a small proportion.

"At the moment financial institutions are experiencing losses from black housing ventures which is exacerbated by the threat of bond boycotts and the non-payment of services and other charges.

"The greatest demand for housing in this country lies with this sector of the population and yet the ability of financial institutions to fund this type of housing is being severely inhibited by the approach of some groups and individuals.

"The consumer must learn to understand that home ownership is a wealth creator apart from providing necessary shelter, and all the political posturing should be swept aside for the common goal of home ownership for all.

"Those threatening bond repayment boycotts and insisting that owners who cannot afford to pay for their homes be allowed to remain are doing the broader black population a grave disservice. In the end when money is borrowed, it must be repaid and if it cannot be repaid the normal process must follow and the occupiers of the home must move on to an affordable alternative," says Olivier.

Stals could bring rate to single digit

STAR 19/2/93.

Due to Chris Stals's efforts in reducing the inflation rate to single figures, the Reserve Bank was able to drop its lending rates resulting in lower bond and bank overdraft rates for consumers.

What has the inflation rate to do with the bank and building society rates?

According to a spokesman for the First National Bank, the differential between the two rates determines the will to reduce the inflation and varies from country to country. In Australia, for instance, the percentage difference is more than 7 percent but in Britain it is 2 percent. The ideal ratio would be nil inflation, but this is virtually impossible.

Although much of our economic future depends on the political direction, many reckon Dr Stals, given time, could bring down the bond and bank interest rates to single figures.

Many people criticise the official inflation rate, saying it has no bearing on their cost of living. One critic is Ted Osborne, economist at Nedbank. He says the inclusion of mortgage rates, which have dropped by 20 percent in just over a year, have been largely responsible for the single figure inflation. Another major cause was the cost of meat which rose by 38 percent in 1991 but only by 1,4 percent in 1992.

However, a number of financial institutions, including FNB, find the official inflation rate realistic. According to a spokesman: "It is always difficult to compare apples with apples in extreme locations, but by and large, the official inflation rate reflects 'trolley for trolley'."

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Basically, the banks are passing on the full base cuts to their borrowers. However, there are a few borrowers (perhaps 1 percent) who will not get the full benefit of the reduction. The disparity in interest rates charged by banks is dependent on the customer's security provisions. Those who do not have assets to back their overdrafts may pay higher interest.

It is not strictly true to assume banks make more from high interest rates than from the lower rates. The First National Bank spokesman pointed out that the bank does not always charge on home loans at the highest rates, knowing how it will affect its customers. For instance when interest rates rose to 25 percent FNB kept its interest at 21 percent.

The key to ownership is good planning

STAR 19/4/93.

Developers are sharpening their pencils as never before and are bringing to the market highly affordable houses.

A similar story applies to building contractors who on an individual house-for-house basis, are quoting excellent prices.

"Clearly now is a good time to buy," says Tom van der Merwe, Transvaal regional director of NBS Devco.

"However don't over-commit yourself to a high bond now that rates have fallen. Buy property but within practical affordable limits which take into account any possible future increase in bond rates.

"Thousands of home buyers were caught off guard when bond rates virtually doubled from levels of 12 percent to a peak of 21 percent and their monthly bond payments went up accordingly. In some cases this led to repossessions or at best forced sales when the market was at a low ebb.

"The answer lies in proper planning so that your home remains affordable even if rates return to the stratospheric levels of two years ago.

"Whatever your financial circumstances make sure you acquire property. In the new SA it will remain a store of wealth that appreciates generally in line with inflation, provides a forced saving, avoids loss of capital from rentals which are never recovered and ultimately provides an asset which can be sold to provide a pension..."

Higher overnight limits on finrand

BDM 19/2/93. (58)

TIM MARSLAND

THE Reserve Bank yesterday gave permission for banks to increase their overnight holdings of financial rands, a move seen as necessary to offset downward pressure on the unit.

Bank foreign exchange GM James Cross would not disclose the new limit.

The finrand came under pressure in the wake of the new trading system that inverted the quote from dollars to rands, raised the minimum amount of deals and narrowed margins. The Bank's announcement yesterday came after angry banks cocked a snook at the authorities by quoting the finrand in US cents on their screens.

Bankers said they were protesting against the new quoting system. However, in practice they continued to trade under the new system.

Banks wanted increased limits because previously they were forced to sell off their positions at 4pm. This frequently meant they had to give up the day's gains by selling at a lower price to offshore interests.

As a result, the currency weakened.

One dealer said banks were frustrated by the new finrand trading rules as their margins had been cut drastically. The spread had been narrowed from 400 to 100 points. A further step was to make the minimum professional quote \$1m — more than double the previous minimum. Some banks yesterday dropped the level to a minimum of \$500 000.

The finrand ended at R4,6300 against a previous close of R4,6250.

Sources said the Bank had spent about \$100m propping up the rand over the past two weeks. A source said the Bank had been in the market as it had considered the unit to be undervalued. The Bank had created the impression of heavy intervention — which some dealers put at up to \$300m.

Old Mutual chief economist David Mohr said the rand should be allowed to depreciate slowly over time. The Bank's activities were putting continuing pressure on reserves. Nedbank chief economist Edward Osborn said he would prefer the rand to find its own level. The Bank had limited resources and it did not make sense for it to go against the trend in the market.

Currency dealers said the Bank intervened in the market again yesterday. The rand hit a low of R3,1370 in the day, before ending at R3,1308 from an overnight R3,1153. A dealer said the rise was on the back of an unexpected surge in the dollar, boosted by the unveiling of US President Bill Clinton's economic package.

Standard Bank revises growth forecast down

(58)

Biday 19/2/93.

TIM MARSLAND

STANDARD Bank has revised its forecast for real economic growth this year down to 0,8% from its previous forecast of 2%.

In its latest Economic Perspectives, released yesterday, it said that a pick-up in the economy was likely to become visible only later in 1993.

Standard Bank said hopes for economic recovery were "hugely contingent" on an improvement in agriculture, a recovery in industrialised economies and sustained progress on the political front.

It said that in the event of any of the factors not performing as expected, consumer and business confidence would once again decline and recovery in 1993 would be aborted.

On the trade balance, Standard Bank said the current account in the fourth quarter of 1992 was expected to register a surplus of about R500m compared with the third quarter's R365m.

Gold and foreign exchange reserves dropped 46% since October 1992, a development which could be ascribed to renewed capital outflows from SA. It said the total capital outflow in 1992 was R6bn, after political factors caused R3bn to leave SA in the fourth quarter alone.

"In view of the fact that SA faces foreign debt repayments of some $1,8bn in 1993 and that the estimated current account surplus in 1993 will be of an insufficient magnitude to meet SA's outstanding obligations, trends in the level of the country's foreign exchange reserves are distinctly worrying."

The balance of payments situation posed a real danger to the possibility of sustained lower interest rates in 1993.

However, it said it was possible SA could use its tranche facilities at the IMF to soften the impact of any further deterioration in the balance of payments position.

It said the Reserve Bank could in principle arrange for balance of payments assistance from the IMF.

"In the possible event of a current account deficit in 1993, and thus an inability to meet maturing foreign debt obligations, SA could draw down 50% of its current IMF quota of about $2bn — either as a stand-by arrangement or under the fund's commodity support facility."

It said SA's renewed access to IMF assistance would encourage foreign creditors to view SA's outstanding loans more favourably.

Nedbank, in its Monthly Economic Profile, also released yesterday, said it was hoped that the recession had bottomed in the second half of 1992. Agricultural output was expected to be substantially higher than in the previous season and was likely to provide some stimulus to economic recovery.

It forecast real GDP growth at 1% for 1993.

It is still cheaper to buy a house than build one

STAR 19/2/93.

Now is certainly a good time to buy property.

Not only have property prices dropped in relation to inflation, but it is cheaper to buy a house than to build one.

Absa, with its wealth of building society experience, publishes a quarterly housing review in which the statistics prove this is a buyers' market.

This review is readily available, free of charge from all United, Allied, Trust Bank and Volkskas branches.

In this publication a number of financial comparisons are made.

Alarming

For instance the cost of houses in relation to remuneration levels has become more favourable.

Since 1984 the ratio has come down by nearly 50 percent.

One interesting comparison is the cost of a medium-priced house in 1975, which would have sold for R22 000 whereas today the asking price would be R140 000.

This might appear to be an alarming increase, but in real terms it represents a considerable drop.

According to statistics, houses have proved to be the best investment for the past 15 years, followed by shares, gold and fixed deposits.

The values of coastal properties have exceeded those in the Transvaal and could be a good investment but without rental returns, resale would be the only way to redeem profits.

Christo Luus, Absa's economist, was surprised by the unexpected rise the property market in the last quarter of 1992.

"The property market is not subject to seasonal fluctuations so we must assume that this is the start of the upturn.

"We don't expect a dramatic increase in property transactions at the moment.

"People are more cautious with their money, placing emphasis on savings. They would rather reduce their debt than buy a bigger house."

Property finance is readily available to approved buyers with the underlying security of a steady income.

Banks and building societies peg their rates at the same levels but through packaged finance offer differential rates.

Luus says that the present recession has caused home builders to buy smaller stands and to scale down the size of their new homes but not to the same drastic reductions as were experienced in the 1984-86 recession.

Barrie Engelbrecht, assistant general manage of mortgage loans marketing at Absa, says that town and cluster homes are proving popular especially amoung young couples, single parents and those families whose children have left home — the empty nest syndrome.

The demand has made these units more expensive than other forms of housing, but the security they offer has great appeal.

Realistic

He says that in most cases buyers tend to be realistic in their housing needs and purchase only the accommodation they require.

Parents living on their own do, however, often require a spare room for visiting children and grandchildren.

In the present economic climate more mothers work and so the need for a live-in maid continues.

The standard of accommodation for live-in maids is being upgraded constantly.

Prices could rise by 10 pc this year

STAR 19/2/93

House prices are expected to increase by between 10 percent and 12 percent this year, according to the latest Quarterly Housing Review from Absa.

This follows an annualised 16 percent increase in the average price of medium-sized houses in the fourth quarter of last year, the first real increase (better than inflation) in the average price of medium-sized houses since the recession began in 1989.

The fourth quarter increase is particularly significant when compared with increases of only 0,3 percent and 3,2 percent for the second and third quarters of 1992.

Other factors improving prospects for the housing market are an expected 1 percent to 2 percent decline in the mortgage rate during 1993 and an improving repayment/remuneration ratio which declined by 9,4 percent during 1992.

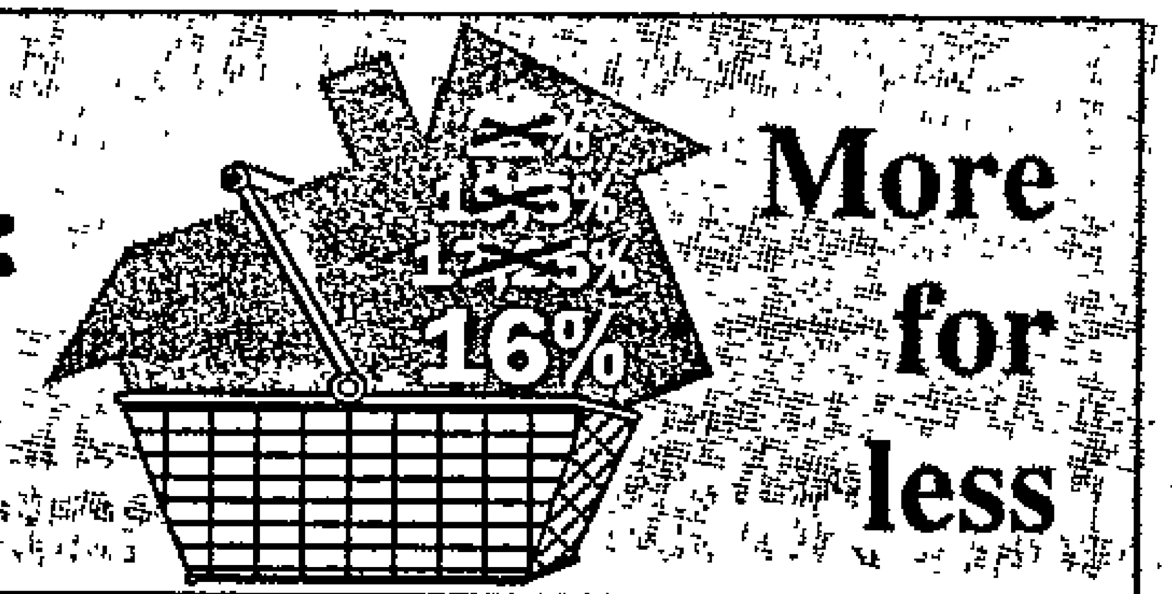
Clearly, housing finance has become decidedly more affordable in recent months, which probably explains the relative buoyancy of house prices despite the continuing recession.

This trend is confirmed by building costs which rose by more than 13 percent (year-on-year) in the fourth quarter of 1992, compared with an average rise of only 8 percent in the first three quarters of 1992.

The firmer price trend from the third to the fourth quarters of last year evident in all regions of the country analysed by the Review with the exception of Johannesburg, where the average price of medium-sized houses declined by 0,5 percent.

Average price increases for the same category of house elsewhere in the country ranged from a low of 0,7 percent on the East Rand to a high of 11 percent in Natal, excluding the Durban-Pinetown area.

Home Loans: More for less



A Star survey

Following the drop in the bond rate of 0,75 percent, from 16,75 percent to 16 percent, is the property market heading for another boom? Bank and building society officials and estate agents differ in their forecasts for the future, but all agree now is a good time to buy property whether for a home, an investment or both. This survey was written by Anthea Duigan.

New rates open up more markets

STAR 19/2/93

Economic conditions and political developments influence the property market because they influence the perceptions of buyers and sellers. Prices are approaching the bottom of the market and the lower bond rates will improve the perceptions of purchasers.

This is the view of Duncan Reekie, divisional general manager of home loans at the Standard Bank.

Capital gains tax on property deals may be likely in the future so any second property purchases must bear this in mind. Reekie recommends that investors in such properties be judicious in considering the extent of own capital and loans and to make sure the investment is a good long-term rental proposition.

58

He says ~~properties at the~~ coast have been buoyant, higher than inland values.

The income requirement that instalments should not be greater than 30 percent of single of joint gross income together with the reduced bond rate, makes more people potentially eligible for buying homes. With bonds available to approved salary earners, the new rates open up new markets.

Large properties with big gardens are proving to be less attractive to many home owners. Mr Reekie says the trend among home buyers is towards low maintenance and security. This is where cluster homes and town houses are finding great appeal. He says that many cluster homes are sold off-plan — before construction. Cluster and town houses are mostly geared either to the first time buyer and are smaller with more basic finishes or they are large well appointed with very high quality finishes aimed at the top end of the market.

Drop in rates could mark upturn

STAR 19/2/93.

(58) (123)

Going down: The recent decrease in the bank rate has been widely welcomed by the banking industry, which responded by dropping interest rates for home loans and lending rates. Most bankers believe the latest drop in rates is the catalyst needed to put some life back into the housing market.

THE DROP in the home loan interest rate and the bank rate announced recently has been widely welcomed.

Standard Bank reported that its home loans will be reduced from 16,75 percent a year to 16 percent and the bank interest rate from 17,25 to 16,25 percent with effect from February 22.

Both Nedbank and the Perm responded by dropping lending rates to 16,25% with effect from February 25 and the home loan rate to 16 percent effective March 1.

Absa is decreasing its prime overdraft rate by 1 percent to 16,25 percent on February 22 and its bond rate by 0,75 percent to 16 percent for new loans on February 10 and for existing loans on March 1.

First National Bank announced that it was dropping its prime lending rate by one percent on February 15 and its home loan rate by 0,75 percent on March 1.

"First National Bank welcomes this rate cut," says chief financial officer, Viv Bartlett. "We believe that this move will have a positive impact on the SA economy in general."

The drop in the prime rate will ease the burden for hard-hit consumers who are bracing themselves for personal tax increases expected in the 1993 budget.

The bond rate reduction to 16 percent, means that home owners have enjoyed meaningful relief in their monthly repayments over the past year with the rate now having been reduced five times, totalling a 4,0 percent reduction since March 1992.

The first was in March 1992 when it was reduced from 20 percent to 19 percent. Another percentage point reduction was announced in July. A further percentage point was achieved with announcements in October and December bringing the rate to 16,75. The fifth reduction to 16 percent brings the reduction to 4 percent in 13 months.

FNB home loan customers who also use a cheque account and two other products will pay 15,75 percent and FNB Gold Card customers enjoy a further reduction to only 15,5 percent.

Upturn

"The continuing drop in inflation, coupled with this substantial drop in the home loan rate, will hopefully signal the start of SA's long-awaited economic upturn," says FNB managing director, Barry Swart. "The South African consumer can now look forward to much better value for his rand."

The new rates do not apply to FNB's Namibia and Botswana customers.

Standard Bank states that, while the property market is still picking up after the Christmas holidays, estate agents are reporting increased interest and better turn-outs at show days.

Good activity is still evident below R200 000 but above this level properties take longer to sell in proportion to the increase in price.

Property can mean security

Many people have made a lot of money from property investment, [illegible] others have lost.

A number of rich family fortunes were founded on property bought during the United States recession in 1929 when real estate properties were at their lowest.

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In his book "The Rich and the Super-Rich", Ferdinand Lundberg says: "For my part, I would say that anyone who does not own a fairly substantial amount of income-producing property or does not receive an earned income sufficiently large to make substantial regular savings or does not hold a well-paid securely tenured job, is poor. He may be healthy, handsome and a delight to his friends — but he is poor. By this standard at least 70 percent of Americans are certainly poor, although not all of these by any means are destitute or poverty-stricken.

STAR 19/2/93

"But, as was shown in the 1930s Americans can become destitute overnight if deprived of their jobs. Many persons in well-paid jobs, even executives, from time to time find themselves jobless owing to retrenchments due to mergers, technical innovation or plant removal. Unable to get new jobs, they suddenly discover they are really poor."

Shrewd property investment is not necessarily a place where you, the investor, want to live. It should be viewed as a rental proposition in a sought-after area where transport, shopping and entertainment are readily available. Other considerations might be flats with small rooms, near to a university, the CBD, and at the lower end of the property market.

Green light for Boland Bank

(58) By ARI JACOBSON CT 19/2/93

BOLAND Bank will finally get shareholder approval to extend its capital base by R100m at a special meeting at its headquarters in Paarl today.

"Its all cut and dried," said MD Gert Liebenberg yesterday and the bank will now set out to raise the funds via a rights issue to shareholders.

The bank had previously been prevented from obtaining a 75% majority to pass this special resolution because of dissenting shareholders — Amalgamated Banks of SA (Absa), Sanlam and Rembrandt.

Trouble began for Boland Bank at its AGM in July when this normally routine resolution was waived because of problematic voting procedures at Boland which did not allow for one vote per share.

However this has been altered to satisfy dissenting shareholders, who have in turn given the nod of approval for the bank to increase its capital base, an Absa spokesman confirmed.

The need to beef up a bank's capital is brought on by requirements laid out in the Deposit Taking Institutions Act. By 1995 the capital asset ratio of a bank should be at 8%.

Boland's precarious situation was highlighted in its last reported financial results for the six months to September, with total assets of 3,5bn on a shareholder base of R140m.

But a confident Liebenberg said yesterday that "the special meeting will be a mere formality".

Milestone for Liberty Life

(58)

Business Staff CT 19/2/93

LIBERTY Life group benefits division has successfully completed a four-year plan to increase broker share of new business from under-written funds.

Of the record R160m new group benefits premium income achieved by Liberty last year, 35% came from brokers. Total new business, including investment only income, was R678m.

Mike Garbutt, GM (group benefits sales and marketing) said the increase in broker share of new business from less than 10% four years ago was "an endorsement by brokers of Liberty Life and the products we offer.

"Business from brokers is now at a pleasing level but we would like to push it up to 50%."

Garbutt said Liberty Life had decided in 1989 that service was paramount in writing new business: "We realised that brokers and employers require service first and foremost for group benefits-type business. Product and pricing, while important, are secondary considerations.

"Employers are prepared to pay a premium on the administration fee element of the contribution provided the service from the insurer is of a high quality.

"In many instances employers have experienced shocking administration and service on their funds when they opted for the lowest administration fee."

Satisfied with the market's response to its service, Liberty launched the Gateway Provident Fund catering specifically for small business, and the Preferential Life Benefit (PFB) in March last year.

Garbutt said sales to date of the Gateway plan were 176% ahead of target.

Fedlife scoops EPBS issue

07/9/93

Business Staff

LIFE assurer Fedlife will take up the full debenture issue of the EP Building Society worth R25m, CE Arnold Basserabie announced yesterday.

Basserabie said that this would allow the EP building society to generate profits in line with the financial services industry and close the gap between itself and commercial banks.

Mutuals such as the EP building society have been severely restricted in their ability to grow and have been largely confined to the home loan market.

However amendments scheduled to be promulgated during the forthcoming session of parliament will allow mutual building societies to issue debentures as part of their secondary capital.

Basserabie said that it was natural for Fedlife to take up the issue "as a synergy has developed since we offered our life products to EP clients in 1988".

EP building society CE Trevor Jennings pointed out that the new legislation "would allow far more flexibility for EP, in the changing financial services environment".

The Bank softens on finrand issue

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CT 9/12/93

Own Correspondent

JOHANNESBURG. — The Reserve Bank yesterday gave permission for banks to increase their overnight holdings of financial rands, a move seen as necessary to offset downward pressure on the unit.

Bank foreign exchange GM James Cross would not disclose the new limit.

The finrand came under pressure in the wake of the new trading system that inverted the quote from dollars to rands, raised the minimum amount of deals and narrowed margins.

The Bank's announcement yesterday came after angry banks cocked a snook at the authorities by quoting the finrand in US cents on their screens.

Bankers said they were protesting against the new quoting system. However, in practice they continued to trade under the new system.

Banks wanted increased limits because previously they were forced to sell off their positions at 4pm. This frequently meant they had to give up the day's gains by selling at a lower price to offshore interests.

As a result, the currency weakened.

BOE's successful entry to market

One of the latest entrants to the home loan market is the Board of Executors.

STAR 19/2/93

(58)

BOE Merchant Bank decided to enter the market in February last year in order to offer an additional service to its traditional clients base of high net worth individuals.

The bank has announced that it will advance minimum loans of R250 000 against property worth at least R500 000 providing the client has a net worth of R500 000 or more and can meet the repyments twice over after tax. At the current rate of 14,5 percent qualifying for a BOE home loan represents a considerable saving to the borrower.

In just 11 months the bank has granted loans totalling more than R125 million.

Saambou concept unusual approach

SB STMN 19/4/95

Direct marketing of financial services is an unusual concept but in the case of Saambou, it has proved successful.

The "friendship bank" as it is known, markets its services to homogeneous groups, mainly in the civil service which constitutes some 100 000 of Saambou clients and parastatal organisations. This is achieved through mailing lists and house magazines. Apart from the civil service, its clients include members of the Armed Services, the Correctional and Hospital Services, Armscor and Eskom.

Saambou's marketing, however, does not preclude individuals from becoming clients as it focuses on salary earners — rather than company owners. The Saambou package of financial services is designed for the middle-income group. The company offers a full financial package from banking, housing loans through to car finance.

However, once a member of a group becomes a client, personal service is given.

Services are tailored to suit day-to-day needs of each client. Rates are levied depending on the risk factor and whether the client has a current account.

"No client is the same nor are his finances," says Saambou director and senior general manager Dawie Botha. "This is why we continue to research the individual markets to keep abreast with needs. We have invited a panel of 1 000 clients to fill out research questionnaires on a quarterly basis in order to find out whether we are meeting our clients' aspirations.

"We don't necessarily offer a smarter deal, but we do offer our own form of personal and friendly contact, which is seldom possible for the larger institutions."

FM 19/2/93 (58) FOX

RMBH/MOMENTUM (58)

Bigger fish

FM 19/2/93.

The fountain outside the Sandton head office of Rand Merchant Bank (RMB) boasts some enormous koi, the kind that look like they could eat 10 goldfish for breakfast. That pretty much sums up how newly listed RMB Holdings (RMBH) must be feeling after digesting R8,5bn assets (R1,5bn off-balance sheet) from last July's takeover of assurer Momentum Life.

Fortunately for RMBH, interim results show it is not suffering the indigestion Momentum did when it absorbed Lifegro Assurance a few years ago, in retrospect, probably the main reason for the life office's below-average performance until last year.

Momentum chairman and RMB executive director Laurie Dippenaar believes RMBH's acquisition of 77% of Momentum was well-timed, with the holding company coming in as the assurer was settling down after the difficult absorption of Lifegro. This, he says, has made the transition to a profit centre culture at Momentum comparatively easy.

GAINING MOMENTUM

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
RMB Holdings			
Net income (Rm)†	13	24	21,5
Attributable (Rm)	13	24	16,5
Earnings (c)	23,6	43,6	30,0
Dividends (c)	8,5	17,5	10,5
Momentum Life			
Total income (Rm)	720,2	762,1	929,0
Attributable (Rm)	9,0	12,0	19,6
Earnings (c)	12,8	17,2	16,0
Dividends (c)	7,5	9	9

† After tax and contingency reserve transfers.

Momentum has improved results markedly. The 21% increase in EPS compares with the pedestrian 16,7% posted in its last results before the merger.

The consolidation, for the first time, of the disclosed net income of RMB (now a wholly owned subsidiary of Momentum) helped swell the life office's attributable surplus 118% to R19,6m, compared with the previous interim.

But the reorganisation has not helped disclosure of how RMB makes its money. All the accounts reveal is that the merchant bank's net income is included as part of Momentum's investment income, now R306,2m. Otherwise, one knows nothing more about RMB, even though it's now indirectly listed. Merchant banks and life assurers generally have a dismal level of disclosure — having a bank's results buried in an assurer's accounts borders on the absurd.

Dippenaar is unrepentant. He says RMB has never failed to increase its profit annually over 15 years and it opened its books for an independent assessment which resulted in a top credit rating from a rating agency. In addition, he says RMB's specialised operations and niche markets make it difficult to compare with commercial banks.

Few would doubt the bank's earnings ability, which has gained it a great deal of respect among analysts. But investors would probably like to see where their dividends are coming from and analysts would feel more comfortable if they had access to key figures such as interest paid and received, operating expenses and bad debt provisions.

A R363m drop in Momentum's life fund to R7,13bn stands out on the balance sheet, but Dippenaar says this results from some large, mainly corporate, policies maturing. Likewise, a number of large corporate transactions boosted single premium income, in turn lifting premium income 48% to R622,8m. Dippenaar says this is unlikely to be repeated in the second half.

With one-offs like this, and only six months of consolidated results, the year-end will be a better time to take a clear view on Momentum. The market, however, has not waited, with the share price picking up considerably since the merger, at 760c not far off its annual high of R8.

Similarly, RMBH's share, which first traded at R10 after the listing in November, hit a peak of R16 and now trades fractionally lower at 1 550c. Prices of both shares have been driven partly by the high-flying insurance sector in which RMBH and Momentum are listed but favourable market sentiment is undoubtedly playing a role.

A technical correction seems likely at some stage, which could represent a good buying opportunity. With the rapid gains both have shown over the past few months, one wonders if they can have much further to go. The merger has certainly been good for Momentum and, in turn, has made RMBH a big fish in the financial services pond

Shaun Harris

Economy, inflation and rates are linked directly

STAR 19/2/93

(58)

The reduction in interest and bond rates cannot be seen separately from the underlying factors that led to this move in the first place. There is an interwoven relationship between inflation, interest rates and the real and financial economy.

Sanlam's economist, Pieter Calitz says: "The lower interest rates (the bank rate is already down from 18 percent in October 1989 to 13 percent at present) follow on the sharp decline in inflation, which in turn, is a direct result of the weak economy and the stringent monetary policy followed during the Stals era.

"After nearly four years of progressive decline in economic activity there are still no clear signs of meaningful recovery until late this year."

He said the lower targets set for monetary growth are indicative of the continuation of a strict monetary policy stance. Lower inflation and further cuts in interest and bond rates can therefore not be ruled out.

Lower interest rates should be conducive to faster economic activity generally, especially if its goes hand in hand with lower inflation. But the immediate net effect is difficult to ascertain because on the one hand, lower interest rates may spur increased investment and higher credit financing, while on the other hand, it may also have a negative effect on savings and on the spending capacities of persons with a fixed income.

Further, lower domestic interest rates (especially real rates) relative to those overseas, may discourage the inflow of foreign capital and or accelate outflows.

"The lowering of the bond rates follows directly on the reduction in prime rate to 16,25 percent. The building societies are in the process of closing the gap between prime and bond rates.

"The lower bond rates will lead to slightly lower bond repayments. But here again, one should take into account that the bondholder can decide either to retain the additional money or keep the repayment amount of his bond unchanged, and by doing so, shorten the redemption period of the bond."

"But in the light of the present severely depressed state of the economy, I doubt whether the lower interest and bond rates will have a material effect on the economy.

"Factors such as the continued sluggish economic growth in the industrialised countries, the retention of certain sanctions, the overall weak financial position of consumers, the delayed effect of the severe drought, the lack of domestic and foreign confidence and important inherent structural shortcomings in the SA economy, are also delaying the start of the next upswing."

BUSINESS

Another crash, another claim ... Consumers are paying high rates for personal lines such as motor insurance Photo: KEVIN CARTER

Short-term insurers need to beef up R&D

W/Mail 19/2 - 25/2/93 (58)

Why are short-term insurance rates so high? **NIGEL VARDY** *looks at the reasons and argues insurers should innovate their way out of a bad public image*

SANTAM recently made its biggest six-month underwriting profit ever in its 75-year history — some R36,6-million for the six-month period to September 30 1992. For the full financial year to that date the company reported a profit of R51,6-million. Not bad in a recession. Mutual & Federal also made record profits for its year ended to June 30 1992 (R52,5-million). Even SA Eagle, despite business shrinking in real terms, made an R11,2-million underwriting profit for the year ended December 31 1992. It was its best result since 1989.

So what's going on? Are insurers making too much money? Are premium rates too high? The short answer is that they probably are — at least, in personal lines (motor and household); but then there are many factors involved and one shouldn't really give a short answer.

It is a fact that insurance claims have been very high the past few years. The main reasons are the high crime rate; cross-subsidisation of non-profitable lines; and non-recoverable losses.

Guardian National managing director Keith Nilsson points out that premium rate increases over the last few years were "entirely crime related". For example, the incidence of crime in Johannesburg was five times higher than, say, in Sydney, Australia. "Premiums are also about five times as high."

However, in his upcoming year-end financial report he says "personal lines cannot subsidise commercial business for any length of time".

Indeed, it has often been noted that the local market is very small by international standards. Yet it cannot be "protected from overseas competition" because insurance only works if there are no trading barriers. So when foreign markets are hungry for commercial and industrial business — as they were from 1989-1991 — they push South African rates down, forcing local underwriters to equal the "uneconomic" rates in order to retain business. It obviously becomes unprofitable and so other insurances, like household and motor, are used to balance the books.

The final reason, "non-recoverable losses", is of increasing concern. For example, many car owners cannot afford insurance these days. So an innocent insured driver involved in an accident now has a 50/50 chance of having to claim from his own insurer because no-one else has cover.

Of course, insurers are not fortune-tellers. Even if they have salted away a few profits through over-pricing it is not a bad thing. As Mutual & Federal managing director Ken Saggers has already pointed out. "Last year we were singularly fortunate in avoiding weather catastrophes in the form of storm, hail or wind damage." The Welkom tornado in March 1990 cost his company R25-million in just 10 minutes — that's equivalent to half the company's profits for a whole year. They have to have reserves in case that happens again.

Another hazard is the falling stock market which last year stripped as much as 12 percent off a major insurer's assets in just six weeks. It could happen again. Political and economic uncertainty also mean losses for insurers. Their business either shrinks on the income side because people are cutting costs by avoiding insurance; or increase on the expenditure side through a heavy increase in arson, so-called "liquidation fires", or bank robberies.

A serious problem is that short-term insurers don't enjoy a particularly good public image (which pretty well puts a damper on any arguments in their favour). Consumers see them as perverse and unhelpful: perverse, because they push up their premium rates during a recession, when consumers can least afford to pay, only to bring them down again during an economic upswing, precisely when they can afford to pay; and unhelpful, because insurance assessors have as their mission to avoid paying claims.

This has bred an unhealthy tit-for-tat whereby insureds inflate their claims on the assumption that assessors will cheat them out of their rightful payout; while insurers seek to repudiate claims on the basis that most insureds are dishonest. Since it is administratively too expensive to vet all claims (for which, read inefficient), there are also plenty of claimants who get away with it. And if there's one thing a robber has no respect for it's an easy pushover — not the ideal way of obtaining respect.

But high profits, for whatever reason, offer a great opportunity for insurers to "grasp the nettle". Money is at hand to fund research and development. Innovation, at one time the prerogative of the insurance broker, is also now part of insurance company thinking. They must build on this, continue to improve service through expenditure on improved computer systems and staff training, and bring better insurance products to the market.

If that happens maybe the consumer will think the money he spent last year on insurance was well worth it.

One idea would be to go beyond the basic no claims bonus or the structured discounts, and actually pay good policyholders a reward in cash. Certain medical aids do this already. It will hit fraudulent claimers where it hurts, and they will be the only ones complaining about high premiums.

●**Nigel Vardy is editor of *Insurance Times***

Jobless homeowners to get a second chance

W/Mail 19/2 - 25/2/93

By BARBARA LUDMAN

A FUND may soon be established to provide bond repayments for homeowners who have been fired or retrenched.

The proposed "bond repayment fund" will be discussed next week by the Association of Mortgage Lenders (AML) and the South African National Civic Organisation (Sanco). The two groups are set to meet on Wednesday for talks on bond-related issues.

The fund, says an AML representative, would operate much like the Unemployment Insurance Fund, for a limited, "tide-over" period only; the homeowner would resume payments when he or she was able to.

An AML statement this week announcing that agreement was expected soon added hopefully that "in the light of this positive progress, any suggestions of mass action and rental boycotts are counter-productive".

The AML's announcement came 10 days after a compact signed between Sanco and the Perm which excludes the Perm from bond boycotts while promising job creation, training and development programmes in the townships.

Sources say there are differences in approach between the two. The AML document is likely to set out mechanisms to deal with particular problems, while the Sanco/Perm compact will establish working committees to address a broad range of issues.

Under the Sanco/Perm compact, the committees will look at such matters as making it easier for people in disadvantaged communities to get home loans and researching new forms of home ownership. The compact also includes an educational programme covering mortgage loans, insurance, and the rights and obligations of contracts.

About a third of all black housing has been financed by the Perm; 23 percent of its lending is in the townships. The compact the Perm signed with Sanco is, says general manager: development Denis Creighton, "mutually beneficial. The point of the compact is to solve the problems so that everybody gains."

Meanwhile, Sanco president Moses Mayekiso last week listed issues that had not yet been resolved in ongoing talks with the AML. Among them are redlining in townships, the inner city, inner suburbs and areas near shack settlements; locating bank branches in townships; procedures to deal with negative equity, where a borrower owes more on a bond than the house is worth; the identification of land owned by banks which could be developed for low-cost housing.

In a statement this week setting out items for discussion (repossessed properties, education, arrears payments and the bond repayment fund), the AML said members were "on board in respect of those issues on which they believed they could realistically deliver". The organisation felt only the National Housing Forum had the capacity to address broader housing development issues.

'People's Bank' lends a hand

SOUTH 20/2 - 24/2/93 (58)

Credit Unions, providing cheap loans for those unable to afford bank loans, have existed for more than a decade. **Waghied Misbach** finds out what these unions are all about:

THE CREDIT union movement is growing rapidly in South Africa.

Known as the "People's Bank", a credit union is a financial co-operative, owned and controlled by its members. Its main aim is to encourage saving and provide loans cheaply to members.

Credit unions started in 1980 in Cape Town with the Cape Credit Union League as a project of the Catholic Welfare Bureau, with three credit unions and 75 members.

It has now grown to over 5 000 members with funds of more than R1-million.

It is estimated that by March 1994, there will be 10 000 members with deposits over R5 million.

Credit unions draw members from churches and township residents, but are increasingly involving workers from other sectors.

The union provides an important service to people from rural areas who have little access to banks, said Savings and Credit Co-operative League of South Africa (Saccol) education officer Ms Olivia Henwood.

Credit unions also provide loans at rates well below that of banks.

Unlike ordinary banks, Saccol takes into account the money a family earns through informal work.

About 30 percent of their loans are for funerals, said Henwood.

She said township residents often have to transport bodies of relatives back to the homelands, which accounts for the high cost of funerals.

"Banks are not prepared to give loans for funerals, which can cost well over R1 000."

The second largest slice of the loans is for education, where members are forced to make loans at the beginning of the year

Yes to vehicle fund prosecutions

A TOTAL of 2 300 files from the Multilateral Motor Vehicles Accident (MMF) fund had been forwarded to the Office for Serious Economic Offences for investigation and possible prosecution, said Minister of Transport Dr Piet Welgemoed yesterday.

He said, replying to a House of Assembly debate on the MMF: "I think that quite a number of prosecutions will follow."

But, not necessarily 2 300, as some names occurred in more than one file. Some individuals already had appeared in court, said Dr Welgemoed.

The R3 billion deficit in the MMF was an actuarial shortage, although a very important one. "There is no loss. If there were a loss on an annual basis, then the red lights don't flash, they go on and stay on," he said.

Files had not yet been opened for some of the claims included in the R3 billion figure.

"It is an estimated figure and that is the problem we are sitting with."

The governments of the five countries involved in the MMF undertook to the motorist that there would be enough in the fund to meet claims.

Dr Welgemoed announced a number of measures taken to improve the efficiency of the MMF.

The fund's investment policy had been changed. Investments were now carried out in direct transactions between the executive director of the fund and financial institutions. No intermediaries were involved.

The fund was doing a trial run of a new agency system so that it would know the best one to implement when the present agency agreement terminated on April 30.

"Certain homework" was being donenow. The incoming board of directors of the fund would make the final decision on this as they would have to bear the consequences.

Dr Welgemoed said he had no proof that money supposed to go the MMF from the petrol levies was not coming through.

Mr Johan Oosthuizen, former director of the MMF, would have gone immediately if he had had his way, said Dr Welgemoed.

■ Mineral and Energy Affairs Minister Mr George Bartlett was accountable for the R2 billion to R3 billion deficit in the MMF and should be dismissed, said Mr Robin Carlisle (DP Wynberg).

The fraud, maladministration and irregularities had occurred while Mr Bartlett was Transport Minister, he said.

■ Mr Johannes Maree (NP Kliprivier) said shortages in the MMF had been publicly known since 1981. It was pointless to blame the minister as the system had been at fault by allowing deficits.

■ The Transport Department should make public the contents of the taped conversation between an official in the Auditor-General's office, Mr Jaap Serfontein, and a senior official in the Multilateral Motor Vehicle Accident Fund (MMF), said Mr Jurg Prinsloo (CP Roodepoort).

■ The irregularities surrounding the fund was the mother of all scandals, said Mr Geoff Engel (DP Bezuidenhout). "Even in a country riddled with scandalmania, of government fraud and corruption, we have never seen anything the likes of this before."

■ The deficit could have reached R4 billion by now, said the Democratic Party spokesman on Transport, Mr Wessel Nel.

ARG 20/2/93

■ Mr Daan du Plessis (CP Roodeplaat) said it was clear that the Auditor-General had shamefully neglected his duty as watchdog of public funds.

■ The CP spokesman on finance, Mr Casper Uys, said the country had been hit by a wave of fraud in the public and private sectors. It was time the House gave the government a mandate to take action. — Sapa.

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'Bartlett must go' calls grow

CT 20/2/93

(58)

Bitter DP attacks in debate on R2bn deficit

Political Staff

NATAL leader of the National Party and Mineral and Energy Affairs Minister Mr George Bartlett is facing increasing calls for his head over his performance as Minister of Transport up to April, 1991.

The Democratic Party launched a withering attack on him during a special debate in the House of Assembly yesterday on the government's Third Party Fund.

The DP had called the debate as a "matter of public importance" and its MP for Wynberg, Mr Robin Carlisle, said Mr Bartlett had presided over the Multilateral Motor Vehicles Accident Fund (MMF) while it ran up an accumulated deficit of between R2 billion and R3bn.

"The fraud, maladministration and irregularities that occurred in the Department of Transport under (Minister) Bartlett far exceed even those in the Department of Development Aid," said Mr Carlisle.

The minister should have known about the problems in the fund and taken action and was therefore accountable, said the DP MP.

"You want to keep this man? South Africa does not want to keep this man," said Mr Carlisle, and asked if Mr Bartlett was being kept in his job to keep him from joining Inkatha. "It is outrageous that Bartlett remains in office," he said

DP MP for Bezuidenhout Mr Geoff Engel also called for Mr Bartlett to quit.

"One does not have to be an accounting genius, which the previous minister certainly wasn't, to realise affairs were chronically off the rails several years ago," said Mr Engel.

Mr Bartlett, involved in negotiations with the IFP, was absent from the debate but Mr Jacko Maree, the NP MP for Klip River, sprang to his defence, saying it was the system that had been at fault by allowing deficits.

The minister had acted once he had noted the escalation in expenses.

He could also not be blamed if, year after year, he had been given auditors' reports which did not point out irregularities.

Transport Minister Dr Piet Welgemoed revealed that a total of 2 300 files had been forwarded to the Office for Serious Economic Offences for investigation and possible prosecution.

Dr Welgemoed also said that Mr Johan Oosthuizen, the former director of the MMF, would have "gone immediately" if he had got his way. Because his contract with the MMF did not allow for early retirement the fund had to pay him R363 000 which it owed for 34 months of remaining service.

Dr Welgemoed said the R3bn deficit in the MMF should be seen in perspective. It was an actuarial shortage, although a very important one.

"There is no loss. If there were a loss on an annual basis, then the red lights don't flash, they go on and stay on," he said.

Files had not yet been opened for some of the claims included in the R3bn figure.

"It is an estimated figure and that is the problem we are sitting with."

He said that swift intervention by MMF officials after the collapse of the President Fund had saved the MMF and the taxpayer R2m.

The executive director of the MMF had estimated that the final loss in the collapse would not be more than R300 000.

There had been 7 000 claims files "lying around on the floors" at the President Fund offices.

'People's Bank' lends a hand

SOUTH 20/2-24/2/93 (S8)

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It is estimated that by March 1994, there will be 10 000 members with deposits over R5 million.

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She said township residents often have to transport bodies of relatives back to the homelands, which accounts for the high cost of funerals.

"Banks are not prepared to give loans for funerals, which can cost well over R1 000."

The second largest slice of the loans is for education, where members are forced to make loans at the beginning of the year to pay for school fees.

Other loans are given for home improvements, electrification and buying livestock.

Average deposits of members are R250 each with the 36 Saccol credit unions averaging about R25 000 each in funds.

Credit unions are independent, but there are rules. For instance, Saccol would crack down hard on any union who spent more than 80 per cent of their deposits as loans.

The first credit unions were all church-based, but others were soon formed among workers such as domestics and miners.

The movement spread to the Transvaal, Northern Cape and later Namibia and eventually changed its name to Saccol.

Saccol is affiliated to the African Confederation of Savings and Credit Co-operatives and the World Council of Credit Unions (Woccu), which has affiliates in over 80 countries with a combined membership of 77 million. Woccu has estimated savings of about R696 billion.

While the South African credit union is not as advanced as that overseas, they still provide a necessary service to those not catered for by banks.

Funds are well protected. Audits are carried out on each credit union.

Credit unions are currently under scrutiny as they do not fall under legislation governing savings.

Henwood said that changes this year to the Deposit-taking Institutions Act were likely to benefit the movement. A benefit could be exemption from tax, she said.

While this was not ideal and legislation covering credit unions would be welcomed, "some legislation is

For information on credit unions or how to start new ones, contact Saccol at tel 23-8360

Hitches in Absa switch

(58)

S Times 21/2/93

By LEW ELIAS

ABSA Bank's nationwide computer merging with the United Bank last weekend — claimed to be one of the biggest operations of its kind in the southern hemisphere — was not without its hitches.

They included nil or debit balances recorded for at least 3 000 customers with special savings and credit balances of R180 000 or more, loss of clients' home and work telephone numbers and some off-line time during the week.

Faults

Tellers trained to operate the new system were stumped as the system's teething problems needed emergency action to correct faults.

The conversion involved 160 branches, 300 sub-branches, 700 automatic teller machines: It affected more than 1,4 million Allied and 2,7 million United Bank clients.

Switchover project manager John Hefer said a "small number" of clients expressed dissatisfaction at the extra time it took to process transactions.

"But, on the whole, the public reaction has been very receptive," he said.

A working cover

By TERRY BETTY

CORPORATE insurer Concord Insurance is to offer death and disability cover for taxi, bus and train commuters. It is estimated that eight million people travel by taxi, train and bus every day.

Concord director Basil Palmer says 100% of people surveyed say they feel most vulnerable when commuting to work, so Concorde is now going to insure just that portion of the day.

For R60 a year, or 10c a trip, the person will have R30 000 disability cover and R33 000 death cover, the extra R3 000 being for funeral expenses.

The condition of the policy is that the insured has to be a paying passenger injured while commuting in either a taxi, bus or train.

These payments will be over and above any other payments received from a medical aid or life cover.

Mr Palmer says the product will be marketed directly to the public, but he expects most of the business will be companies taking out group policies for their employees. "The advantage is it is tax deductible."

CIB four 'liable' for R142m

By JEREMY WOODS

FOUR directors of the collapsed Cape Investment Bank are being held personally liable for R142-million of missing funds in one of the largest claims of its kind in SA legal history.

CIB liquidator Tjaart du Plessis has issued summons in Cape Town's Supreme Court against CIB chairman Jan Pickard junior, and directors Eugene Swartz, Sigfrides Lohle and Gerlof Reitsma.

The summons says a "reckless" R1-billion punt in Eskom stock that went wrong was one of the reasons for the collapse of CIB.

The summons refers to section 424 of the Companies Act, which states that if a business is carried out in a reckless manner, or with intent to defraud creditors, any person who was a knowing party may be held personally liable.

The summons says the four directors were knowingly party between June and October 1990 in conducting the business of CIB recklessly and/or with intent to defraud creditors.

CIB failed to disclose to its creditors, shareholders, regulating authorities and members of the public who might become depositors that it traded at a loss during the year ended June 30 1990.

CREDIT

"The above notwithstanding, CIB continued after June 30 to solicit and accept deposits from members of the public, including deposits totalling approximately R240-million from the SA Rail Commuter Corporation."

CIB "continued to lend and advance portions of these moneys to clients who had already shown themselves to be unlikely to be able to repay the advances".

CIB was liquidated on April 11 1991 with debts exceeding R100-million. A major creditor is the state-subsidised SARCC, which invested R240-million with CIB.

The summons says that during the first and second quarter of 1990, CIB purchased large amounts of E168 Eskom stock on credit. By June 30 stock valued at approximately R1-billion had been purchased, utilising "short-term credit facilities provided by other financial institutions".

Legal advisor to Mr Pickard, Tinus Slabber, says the action is being defended. A trial date is expected to be set soon.

Blacklist the car sharps

S Times (Buss) 21/2/93. (58)

By TERRY BETTY

THE insurance industry is looking to introduce a black list to protect itself against fraud. Bogus car theft alone is estimated to total R360-million.

SAP head of vehicle theft, Lieutenant-Colonel W C Smith, says that 45% of about R800-million claimed annually in insurance is believed to be fraudulent and the cars have been sold or hidden.

It is harder to assess the extent to which other insurance claims are fraudulent or inflated, but it is estimated to run into hundreds of millions of rands each year.

The main source of concern is the extent to which bogus claims have recently increased, says Auto & General joint managing director Jannie Potgieter.

Register

The Consumer Council, the police and representatives from the insurance industry have held meetings to address the problem.

Mr Potgieter says the only way to effectively deal with burgeoning insurance fraud is to introduce a register of all claims made.

He says it is impossible to correctly price a person's policy unless all the facts about his or her claims history are known.

"This information is not available at the moment. If one insurance company refuses to insure a person who tried to defraud them, that person can just insure elsewhere.

"The chances of the guy being caught are slim, because many insurance companies work on a decentralised basis with little computerisation so there is a poor flow of information.

"If there were a central register of claims it would be easy to verify a person's claims history and price the policy accordingly."

Mr Potgieter explains that at the moment everybody is thrown into one big basket, resulting in higher premiums. "It would prevent people with a clean history from subsidising others who frequently claim."

However, not the entire industry is clamouring for the new system. Consumer Council spokesman At Meyer says that, in certain companies, people in the lower ranks who actually deal with claims feel there should be some sort of black list.

But the top management is not as happy with the idea, as it might give their competitors vital information about their client base. "They would rather absorb the cost and push up premiums."

Mr Meyer says that, considering the potential savings, it would not be costly to implement. The most rudimentary system would cost R30 000.

Mr Meyer adds that it would have to be run with the aid of the SA Insurance Association (SAIA) as it is an independent body, and this would assure confidentiality of important information.

Mr Meyer says the Consumer Council is also looking at the acceptability of lie detector and voice stress tests.

Colonel Smith also says he is working on something that will drastically cut back on bogus car thefts. But he would not give details. "I do not want to give the crooks any tips."

Costly

But it seems fraudsters know all the tricks already. Mr Potgieter gives the example of a man who last month claimed for a stolen car, but the insurance company was tipped-off — a passer-by saw the man burying it in his garden.

It would be impossible to glean from court convictions the extent to which this happens, as charges are seldom laid.

Mr Potgieter says it is costly to involve senior management in lengthy court proceedings. It is easier to allow the person to withdraw the claim and refuse to insure that person again.

But the majority of the fraud comes from people over-claiming. Captain Strini Govender says that when people are robbed they invariably claim to have top of the range stuff stolen.

"It is amazing how many people have Ray Bans in their car and costly car radios, as well as lots of money in their purse, when their car is broken into."

It is this aspect that is difficult for assessors to pick up. But Mr Potgieter says somebody with a track record of having frequent claims would be picked up if there was a central register of claims.

SAP statistics show that 67% of uninsured vehicles are recovered while only 17% of insured ones are recovered, indicating these are more effectively disposed of.

Colonel Smith says most of these are sold across SA's borders and have been found as far afield as Cyprus.

Ailing professor fights for payout

58

248

By GLENDA NEVILL

A MAN with a serious heart condition has initiated legal proceedings against insurance giant Sanlam because the company has refused to pay him a R100 000 disability claim.

Professor W T Barham, 56, an associate professor of zoology at the University of Zululand for 14 years, had double-bypass heart surgery in January last year and was declared medically unfit to return to work by four specialists and a cardiologist.

Staff members of the University of Zululand are obliged to contribute to its Group Life and Disability Scheme, which is underwritten by Sanlam.

The University of Zululand "boarded" Professor Barham in May last year, following which he lodged a claim for a "lump sum payment" with Sanlam.

The case has raised questions about the definition of "disabled".

It has also caused controversy at the university because its Board of Trustees is obliged to act as claimants on behalf of a staff member and has not done so yet.

Acuze News, an internal University of Zululand newsletter, noted that although the rules of the Group Life Assurance Scheme made it clear that "the university's obligation (is) to act as claimant on behalf of members of the scheme, it has chosen not to do so".

There was no one available at the University of Zululand for comment.

Professor Barham's son, Mr Dave Barham of Cape Town, said this week his father had issued summons against the Group Assurance Scheme.

A spokesman for Sanlam said one of the company's doctors had discussed the case in detail with one of Professor Barham's cardiologists.

"They concluded that Professor Barham was not fit to continue with the job at the univeristy, but they also agreed that on cardiac grounds, there was not enough reason to find him disabled for another, less stressful occupation.

"Both doctors were worried about the possibility of Alzheimer's disease. Sanlam suggested that Professor Barham visit a psychiatrist for an evaluation, to enable us to reconsider the claim."

Professor Barham said this week he was willing to have these tests but had asked that Sanlam pay his transport costs from Ladismith. He also wanted a written promise that this action would not be prejudicial to his legal rights.

"I wrote to Sanlam through the university in December and still haven't had a reply."

Professor Barham said he had been hospitalised with angina three weeks ago and doctors had discovered a leaking valve.

(58)

Call to boycott bond services

Tembisa Residents' Association will urge home buyers to boycott Natal Building Society's bond services. The association yesterday accused NBS of evicting people from their homes on the East Rand for failing to pay for their bond services.

STAR 22/2/93.

MONEY MARKETS by Tim Marsland

Rules can spur debt market

THE new regulations on commercial paper, which appeared in the Government Gazette last week, are to be welcomed.

Potential borrowers now have the ground rules from which an active commercial paper market can spring up. Clarity on some issues is still required, but this will happen as the market develops. The Corporate Paper Forum meets tomorrow to discuss some of these issues.

Grumblings about the high level of disclosure the new rules require are without foundation. Any wise investor would like to know about the health of a company before lending it the minimum R1m the new rules require.

The ruling is not a problem for listed companies since they mostly disclose their business anyway. The problem will be for non-listed firms, who are often secretive about their business.

One area of confusion involves a ruling on overnight call bonds. Call bonds are defined as commercial paper in the new rules. But call bonds are designed to be immediate — they can be called at any time. Apparently this was done to please the banks who were upset at having the rule lifted that commercial paper should be endorsed by a bank. 58

Another point of concern is that corporates have to disclose how much paper they wish to raise in the next year. Corporates reckon this is difficult as they do not know in advance where the cheapest source of funding will be. BDM 22/2/93.

But investors need to know a corporate is not going to flood the market with paper. Some sort of compromise will be required. The main obstacle to the development of the market remains the limited number of companies who can effectively enter the market.

More bond business, less credit

STAR 22/2/93

By Sven Lünsche (58)

Despite the consistent drop in interest rates last year the rate of growth of credit business written by the country's banks has fallen rapidly.

Analysing fourth quarter 1992 lease and hire-purchase figures, Nedfin chief executive Chistopher Beatty calls for urgent economic stimulation.

In the December quarter, instalment credit (lease and HP receivables) demand rose by a mere 1,8 percent, or R568 million, on the previous quarter.

Compared with the December 1991 quarter the increase was R2,12 billion, a marked slowdown on year-on-year growth of R3,01 billion in the September quarter and R3,73 billion in the June quarter.

Beatty says on an annualised growth in demand for instalment credit has fallen by about 46 percent and at the end of last year the balance on the banks' books in the instalment credit field amounted to R33,7 billion.

"The picture is one of stagnation and suggests there is limited room for manouevre in the Budget."

Beatty draws two main conclusions from the figures: "Some easing of monetary policy seems advisable, while there is also little wisdom in taking amounts of money out of the economy in the form of higher taxes."

He says the motor industry has been particularly hard hit by the slowdown in credit demand, as vehicle financing represents about 68 percent of all instalment credit business written.

Nedfin's analysis also points to a shift in the way in which major purchases are being financed.

"Comparisons with other sectors of the banking industry suggest that bond business is being written on purchases which were previously arranged through HP or on a lease.

"South Africans appear to be getting into the habit of buying a car and putting it on the bond," Beatty says.

Debate on bank for Parliament

CT 23/2/93 (58)

By RONNIE MORRIS

THE collapse of Cape Investment Bank, in which the SA Rail Commuter Corporation invested R249 million, is to be debated in parliament on March 3.

This was revealed yesterday by a source closely involved with the winding up of the bank. He declined to be identified.

The pending parliamentary debate comes shortly after summons for R142 million was issued from the Supreme Court against four CIB directors — Mr Jan Pickard jun, Mr Eugene Swartz, Mr Siegfricd Lohle, and Mr Gerlof Reitsma.

Cape Investment Bank was placed in provisional liquidation on April 11, 1991 and on May 9 that year the order was made final. The application was brought by the Reserve Bank.

The court was told that CIB's total assets amounted to R842 million while its liabilities amounted to R852 million.

The assets comprised of R311m in loans and preferential shares by CIB to various institutions and individuals and the balance of R531m of other assets.

Directors of CIB face claim of R142m

The net shortage of the share capital and reserves — after operating losses (but before provision was made for bad debts) — was at least R10m, the court was told. The bank was unable to pay its debts and in terms of the Companies Act more than 75% of its share capital had been lost.

The directors were then subpoenaed to appear before a commission of inquiry into the affairs of CIB in in terms of Section 417 of the Companies Act.

In terms of the Supreme Court summons issued by CIB liquidator Mr Tjaart du Plessis, in terms of Section 424 of the Companies Act, the men are held personally liable for R142m in missing funds.

A "reckless" R1 billion punt in Eskom stock — which subsequently went wrong — was said to be one of the reasons for CIB's collapse, the summons said.

The men were allegedly knowingly party to conducting the affairs of CIB recklessly and/or with intent to defraud creditors.

The bank also failed to disclose to its creditors, shareholders, the regulating authorities and members of the public who might have become depositors that it traded at a loss during the year ended June 30, 1990.

According to the summons, in spite of this CIB continued to solicit and accept deposits including about R240m from the SA Rail Commuter Corporation.

The bank also allegedly continued to lend and advance portions of these monies to clients who had already shown themselves to be unlikely or unable to pay the advances.

Mr Pickard has given notice of his intention to defend the action and has denied he had a part in the losses or that he was personaly liable for the R142m loss.

Insurance brokers gaining market share

(58) CT 22/2/93

ANDREW KRUMM

THE value of life assurance policies sold by independent brokers — about R4,59bn in 1992 — may soon outstrip policy sales by agents employed by the life companies, recent Life Offices' Association (LOA) figures show.

According to the LOA figures, brokers — including bank and independent brokers — now account for around 48% of new premium income to the life industry as against 40% of new premium income five years ago.

In addition, the brokers' share of the market has increased, and they now sell on average 40% of all new policies sold compared with 29% five years ago.

Analysts say the life industry seems quite pleased with this as some companies, like Liberty and Sanlam, are encouraging the growing relationship in certain sectors of their business.

LOA executive director designate Jurie Wessels cautioned that this probably indicated a larger percentage of life intermediaries were now brokers than five years ago.

The figures did not mean that brokers per capita productivity had increased faster than that of agents, Wessels said.

However, one source indicated that there were now about 35 000 practicing life assurance sales people. Of these, between 15 000 and 17 000 acted as "brokers" since they sold policies for more than one company.

Sanlam senior manager Louis Williams said brokers' share of new business at Sanlam had followed the industry trend, but was most evident in the number of single premium policies sold. Brokers' share of new single premium business at Sanlam rose to 51,7% in 1992 from 43,4% in 1990.

An Old Mutual spokesman said the trend was not as evident at the Mutual, and the assurers "agency channel" was still dominant.

Absa imports top banking experts

58

TIM MARSLAND

ABSA had appointed eight top foreign bankers to inject fresh blood into the company, Absa finance group executive Alwyn Noerth confirmed at the weekend.

Banking sources said the appointments were part of Absa CE Piet Badenhorst's drive to change the conservative image of the bank. They said Absa was seen as an Afrikaans bank, and it was attempting to move away from this image.

Badenhorst also wanted to bring in objective managers as management was seen as having too many top people from the United and Volkskas stable.

The newspaper Rapport named four of the eight as Absa international banking GM Bruce MacLlwaine, senior credit consultant Adedeji Aganga-Williams, financial risk management training senior consultant Ian Mitchell and project finance and special projects group consultant Fay Runewitsch. BDay 22/2/93

The eight have been appointed for three years, but on a renewable basis.

Rapport said the bank planned to merge its two head offices and rationalise its regional offices.

Boland Bank share scheme

LINDA ENSOR (58)

CAPE TOWN — Boland Bank is to issue 12,1-million preference shares to shareholders at 840c each on the basis of 90 shares for every 100 held to raise R100m.

The scheme was approved by shareholders on Friday. BDAY 22/2/93

The preference shares will be partly redeemable, compulsorily convertible, participating, cumulative preference shares, with a fixed preferential dividend of 9,25%. The preference dividend will be increased to the ordinary dividend when it is higher than the preference dividend.

Half of the preference shares will be optionally redeemable on April 2 1996 or compulsorily convertible into ordinary shares thereafter on a one-for-one basis when the ordinary dividend equals, or is more than, the preference dividend.

Interest rates expected to ease

BDM 22/2/93. (58)

DIRK VAN EEDEN and TIM MARSLAND

A FURTHER easing in nominal interest rates was likely in 1993, First National Bank said in its Business Brief released at the weekend.

In line with FNB's view, SPL Banking Services latest forecasts of interest rates show a downward trend for the year.

The forecasts, done by a group of economists, show that the 90-day liquid BA rate, at a basis rate of 12,15%, is expected to fall to 11,45% in three months, 10,15% in six months and 9,85% in 12 months.

The benchmark Eskom 168 bond, at a basis rate of 14,52%, is seen dropping to 13,77% in three months, 13,02% in six months and 13,72% in 12 months.

FNB said interest rates would ease, provided wage increases remained subdued, fiscal deficit reduction this year was "adequate" and the balance of payments did not deteriorate. It said prospects for SA economic recovery looked far healthier in the medium term than in the short term, even though inflation seemed firmly on a downward trend.

Many sectors of the economy were intent on continuing cutting costs, which would see consumer spending fall further in real terms.

High expectations for the economy were as inappropriate this January as they were a year ago, the FNB report said.

It was too early to expect investment, in the short term or the long term, to pick up and boost economic recovery.

More rain during the next few months could still make the difference between a slight growth in GDP during 1993 compared with a fourth year of further contraction.

However, the picture for non-agricultural GDP was less hopeful.

World economic recovery remained sluggish, delaying the prospect of higher commodity prices which would continue to depress the fortunes of SA's mineral exporters.

Government economic policy and political conditions were equally unlikely to provide a fillip for the domestic economy.

FNB also dismissed claims that destocking and retrenchments would reach "structural limits" in the near future.

It said industry surveys indicated that technically there was more room for stock reduction.

In SA, fixed investment and employment levels had been falling for the past three years, which potentially represented "a contraction without end", with each round of cost-cutting lowering final demand and creating renewed incentive for cost-cutting.

Only renewed investment from abroad would break this vicious circle, FNB said.

Independent brokers outsell life companies

ANDREW KRUMM (58)

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SA goes for more bond business (58) and less credit

ARG 22/2/93

Business Staff

JOHANNESBURG. — Despite the consistent drop in interest rates last year the rate of growth of credit business written by the country's banks has fallen rapidly.

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"South Africans appear to be getting into the habit of buying a car and putting it on the bond," Mr Beatty says.

T & N boosted by exports surge

B/DAY 23/2/93.

EDWARD WEST

T & N HOLDINGS increased earnings a share 23% to 86c in the year to end-December 1992 from 70c reported in 1991 on the back of cost reduction, productivity improvements and surging exports.

The group's loss-making resin business was sold in 1992 — with R2,3m profit on disposal reported as an extraordinary item — and the 1991 income statement was restated to reflect the sale. The 1992 dividend climbed to 23c from 16,5c.

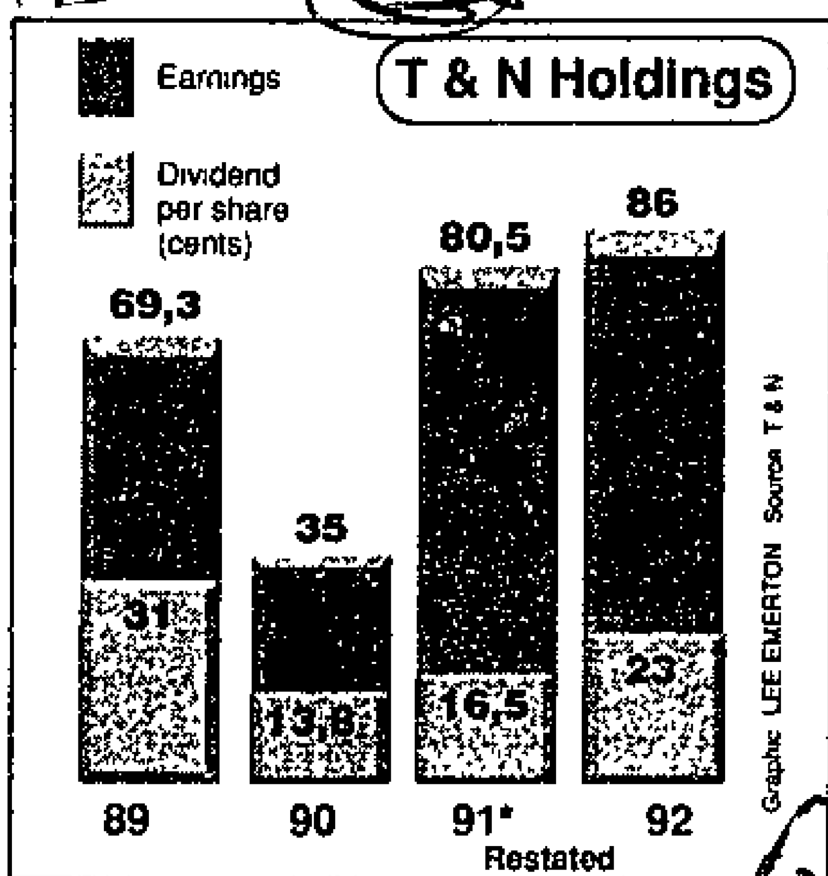
Sales of the remaining businesses climbed 8,9% to R423,7m from the restated R389,1m which, in turn, was R36,6m less than 1991's previously reported turnover of R425,7m.

Cost-cutting and productivity measures were evident in the 21,5% increase in operating profit to R48,5m.

CE Bill Cooper said the restated increase in operating profit to R39,9m from R34,8m was indicative of the extent at which the resin business cut into group profits in 1991.

Exports to the US and Europe climbed 53% over 1991 and comprised 13,7% of sales. Deputy chairman Mathys Pretorius said main contributors to exports were radiator manufacturers FHE Automotive and Silverton Engineering as well as AE Bearings. Prospects for further export opportunities were good.

Tax was higher at R8,7m from R3,3m. Pretorius said while the 28,7% tax rate was higher than in 1991, it was not expected to increase in the next few years because of capital expenditure and assessed losses from Dancor. Capital expenditure amounted to R22,1m.



T & N acquired Dancor in January, allowing further rationalisation and reduced distribution and administration costs, he said.

The pension contribution holiday was reduced to R1,5m from R4,8m and was not likely to continue. Plant and machinery were revalued and the R11m surplus was credited to non-distributable reserves.

On August 1 1992 a 70% stake in Fabflex was acquired for R4,9m.

Pretorius said 1991's R3m losses reported from the Roodepoort site of AE Pistons and AE liners had been arrested although the divisions were not yet profitable.

The friction material, radiator, heat exchanger and gasket manufacturing operations improved operating profits in 1992. The moulding powder performance was well down in 1991 because of the lifting of import controls.

Local trading conditions were expected to remain difficult, said Pretorius.

Safex considers contract change

TIM MARSLAND

THE SA Futures Exchange was considering redesigning the dollar/gold futures contract to try to increase trading volumes, exchange CE Stuart Rees said yesterday.

Just 170 contracts have traded on the exchange so far this year.

The contract is based on the gold price in dollars. A contract is priced at the gold price multiplied by R10 and expires on a quarterly basis.

Futures contracts are traditionally used by investors to hedge against future price movements in the spot investment and by speculators.

An analyst said because the contract was based on the gold price in dollars rather than rands, producers were unable to take advantage of currency movements.

As a result, producers preferred to make use of offshore futures contracts such as those offered on the US Commodities Exchange.

A source said the Reserve Bank was not keen on a rand/gold futures, as they could be used to speculate against the rand. B/DAY

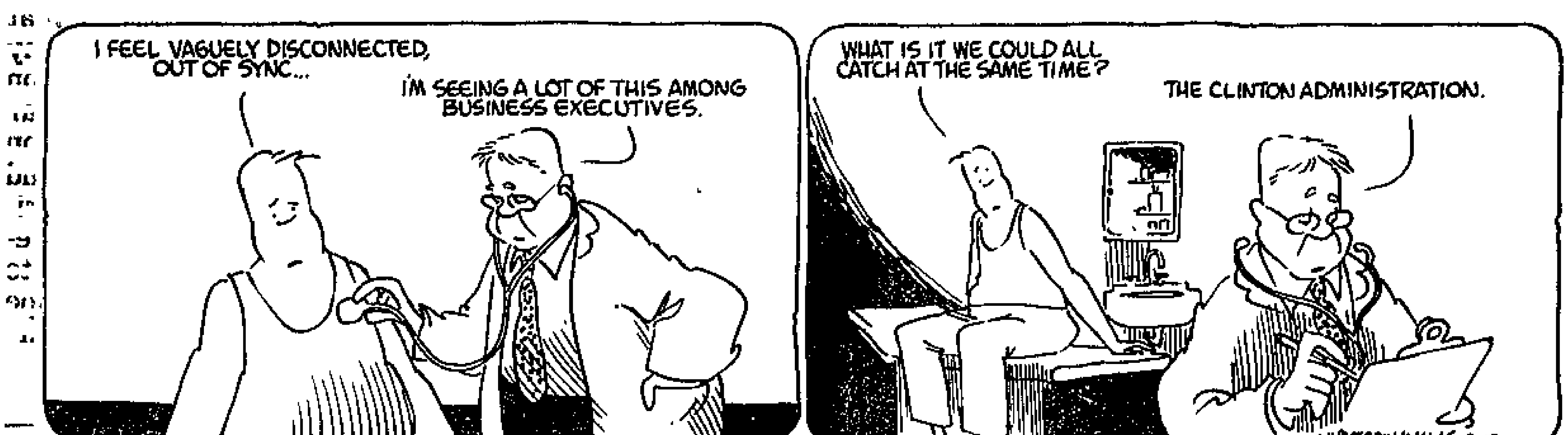
One portfolio manager said there was no need for a local contract because producers were able to take part in the more liquid offshore contracts and local investors had no need to hedge against gold price movement. If investors wanted to hedge gold shares, they would rather use the equity-based all gold futures contract, he said. 23/2/93.

One dealer said the contract would pick up only if the Bank were to prevent producers from using offshore futures contracts.

However, the Bank was unlikely to do this as it already offered attractive hedging options of its own to marginal producers.

If volatility returned to the gold price, interest in the contract would pick up.

EXECUTIVE SUITE By William Wells and Jack Lindstrom



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whose moral code and ethical values prohibit investment in these industries.

Southern Life launched its fourth trust, an income fund, in December in response to demand for a stable, income-producing investment.

There are charges that must be paid when investing in unit trusts. An initial charge of up to 5% of the selling price is levied, while other charges are for the costs of dealing in securities in the portfolio, which are built into the selling price, and for switching between different trusts.

Fund managers stress that unit trusts are long-term investments, as JSE prices fluctuate.

(58) B/Day 23/2/93

Popularity rises despite slump in stock market

THE unit trust industry had a remarkable 1992, continuing to grow in popularity despite the JSE falling sharply during the second half of the year.

Clive Turner, outgoing chairman of the Association of Unit Trusts, says the industry grew by 18% last year, its 47 trusts increasing the assets under their management to R13,5bn compared with R11,4bn at the end of 1991.

Gross sales increased to a record R4,6bn (R2,9bn). Repurchases rose to a record R2,1bn (R1,5bn), giving a net inflow of R2,5bn.

Says Turner: "Whichever way you look at it, we have had record figures and emerged from a difficult year with a bigger and healthier industry."

A major feature of the year, says Turner, was the high income sector which came into its own. Gross sales of the high income trusts soared 275% to R1,5bn at the end of 1992.

Pattern

Sales of the general equity trusts, at R2,5bn, were only 20% up on the previous year's figure.

Assets managed by the high income trusts were R2,1bn at the end of 1992, which was 15,6% of all unit trust assets, compared with 7,5% a year earlier.

This pattern reflects a year of weaker equity markets and booming capital markets, Turner says.

"My concern is that all the investors who went into high income trusts did so in the belief that it was a defensive move in the face of a weaker equity market.

CLIVE TURNER

"These investors must watch their investments carefully. The defensive investment can turn against them as capital markets change direction."

But Turner says the income fund sector has great potential for growth. In the US, 30% of the unit trust industry's assets are in bond funds, the equivalent of high income funds, while another 30% is in money funds, which do not exist in SA.

SA's unit trust industry has 15,6% of total assets invested in high income funds, which gives an indication of the growth possibilities in the sector.

Looking ahead, Turner says the industry's performance over the past two to three years is a pointer to the rapid growth possible, even if expectations for growth in the equity market may be lower than during the 1980s.

"More people are seeing the merits of a regular saving through unit trusts and the ease and flexibility of having income re-invested.

"I believe there is still a large proportion of the population that has no knowledge of the benefits of unit trusts — the infinite flexibility they offer and the crucial hedge against inflation they have proved to be over a long period of time.

"Unit trusts will also play an increasingly significant role in retirement plans as individuals become more concerned with the need to save and invest for retirement."

Turner estimates there are about 850 000 individuals with unit trust accounts, a small proportion of the population.

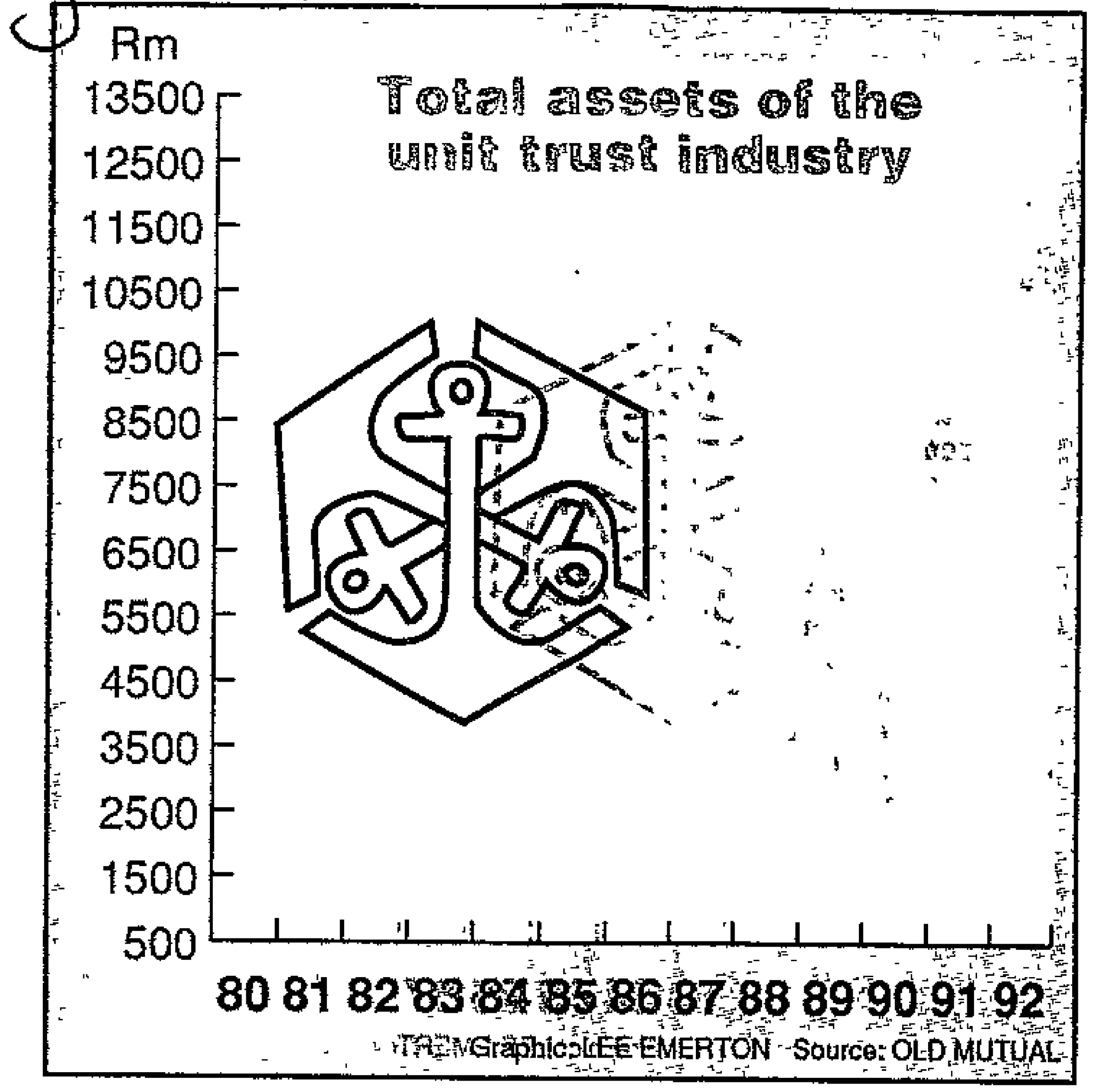
The total investment in unit trusts, at R13,5bn, is only 4% of total personal investment.

Rapid

"There is, however, no limit to the potential for the industry to continue its rapid growth.

"We are likely to have relatively high levels of inflation, which gives rise to growing concern that more focus must be given to preservation of savings and wealth, to ensure that people's retirement needs are going to be met.

"And as the emphasis changes from final salary to defined contribution pension funds, unit trusts with their flexibility and inflation-beating potential will undoubtedly be seen as the ideal investment vehicle through which individuals seek to ensure the preservation of their pension benefits."



Plenty of room left for growth in the industry

ALTHOUGH the unit trust industry has grown rapidly since Sage Life registered the first scheme in 1965, industry sources believe there is no limit to its future growth potential.

Total assets in the control of unit trust management companies have increased from R3m in 1965 and R358m in 1970 to R577m at the beginning of 1980.

The 1980s were a golden era for the industry as its assets soared to R6,6bn at the end of the decade. The industry's assets have doubled this decade to about R13,5bn.

The industry is, however, still in its infancy and tiny when compared with the life industry. International comparisons show a great degree of growth is possible in the industry.

UAL Investment Planning MD Peter Anschutz says there is room to increase the number of funds and the value of their investments considerably.

He says the industry will show more rapid growth when people wake up to the more efficient costing of unit trusts.

The industry will soon begin to tap some of the billions of rands flowing to the life industry and those held in fixed interest investments.

He says unit trusts do not hide their charges, unlike life companies. Investors will soon expect the same transparency from the life assurers, which will result in a flow of funds into unit trusts.

Anschutz says there is room for many more income funds, as the gilts market is bigger than the JSE.

The industry will have to market itself to make the public recognise the advantages of unit trust investments.

Ability

These include the ability of unit trusts investments to yield above-inflation returns over the long term, their flexibility and transparency. People still view the stock market as a risky place of investment, he says.

Industry sources say unit trusts are not being marketed aggressively enough as investments and savings instruments.

Not enough unit trusts are being sold because of the low commissions, which make it more lucrative for brokers to market other products such as endowment policies and retirement annuities.

(38) (58)

Party may be over soon for high income sector

HIGH Income funds beat equity-based funds hands down in the investment stakes last year, but the party could soon be over for the many investors who ploughed more than R1bn into the sector.

Experts advised investors to switch to more secure high income funds because of the expected poor performance of the stock market last year.

The sector's six funds achieved an average return of 21,32% compared with 15,67% recorded by the Carsons money market index and the 27,72% return on the all-bond index.

The four best-performing funds in the past year (based on a lump sum investment) were all high income funds, with Metboard Income Fund topping the list with a return of 25,66%.

The sector's assets soared to R2,1bn at the end of the year from just R854 000 the previous year.

The sector's good performance reflected the uncertainty and prolonged recession, the paltry returns on the equity market and the falling capital market (long term) rates which resulted in booming capital markets.

Is the sector the place to be in this year?.

In his latest review, Old Mutual chief economist David Mohr says capital market rates, after falling from late 1991, rose again during the last quarter on concerns about government's bulging budget deficit.

On the capital market higher rates mean that the bond price has weakened and is worth less, which is bad news for high income funds.

Mohr says recent developments, like the lower inflation rate, indicate that long-term interest rates could fall further this year. But government's demands on funds (from the capital market) are huge.

Rates could come under strong upward pressure in the event of a recovery in private sector financing needs, adding to government's own requirements.

Message

The message is that any sign of an oversupply of stock on the bond market will require an increase in capital market rates to reduce supply. This will result in lower returns for high income funds.

A fund manager says: "Investors should have been in gilts last year. The same is true for this year, at least for the first half."

Southern Life portfolio manager Carel de Ridder says equities tend to outperform other investments, like gilts, in the long run, which does not mean equities will beat gilts in every quarter or year.

He says the best could be over for gilts, which are unlikely to repeat 1992's performance this year.

"The big question is whether the lower returns expected on the capital market will be beaten by the share market's performance this year."

De Ridder says the tragedy is that the large inflows into high income funds have happened after the sector's good performance.

Investors should be in income funds when they are cautious about the economy and the future, he says.

The sector is also suitable for people who cannot take the volatility of the equity market and those who need a large income as opposed to capital growth.

New funds to cater for varied interests

SEVEN new unit trusts were launched in 1992.

In April, Syfrets launched a gilts fund while Guardbank introduced an industrial fund.

Standard Bank launched two new trusts the next month: an international and an industrial fund.

The international trust, the first of its kind in the country, invests in SA companies with operations focused on international markets. The industrial trust invests in top industrial counters.

The Community Growth Fund was launched in June. The country's first "socially responsible" trust is administered and managed by Syfrets in consultation with seven major trade unions.

It invests in JSE-listed companies which score satisfactorily on a list of 17 social responsibility criteria.

Southern Life came up with the country's second 'socially responsible" trust during the same month.

Intoxicants

The Southern Pure Specialist Trust will not invest in companies involved with intoxicants such as alcohol or tobacco, hotels, gambling, pork and interest-bearing instruments such as banks or insurance companies.

It will cater for investors whose moral code and ethical values prohibit investment in these industries.

Southern Life launched its fourth trust, an income fund, in December in response to demand for a stable, income-producing investment.

Proven track record in fight against inflation

AN INVESTMENT in equities is the most effective way to protect capital and make it grow in an inflationary environment.

Equities have, over the long term, outperformed investments such as cash, property and gilts.

Any investment advisor would recommend a spread of shares in a balanced portfolio rather then investing in only one share. But with blue chip shares beyond the reach of most investors, a balanced portfolio has become costly.

A unit trust enables a large number of investors to pool their capital for investment on the stock exchange, thereby obtaining a spread they could not achieve individually.

The assets are managed by the unit trust management company on behalf of the investor.

The management company divides the portfolio into equal portions. The value of each unit fluctuates with the prices of the shares in the portfolio.

Obliged

Selling the units is a process that can take as little as 48 hours. The unit trust management fund is obliged to buy the units back at the ruling price.

There are charges that must be paid when investing in unit trusts. An initial charge of up to 5% of the selling price is levied, while other charges are for the costs of dealing in securities in the portfolio, which are built into the selling price, and for switching between different trusts.

Fund managers stress that unit trusts are long-term investments, as JSE prices fluctuate.

More evidence of fraud

FW pledges action on corruption

BDM 24/2/93

301 107 257 259

TIM COHEN

CAPE TOWN — President F W de Klerk yesterday reaffirmed his commitment to clean government — even as more details of fraud and maladministration were disclosed in Parliament.

The report of the joint committee on public accounts highlighted apparently illegal Civil Co-operation Bureau activities and fraud involving the Unemployment Insurance Fund. It was tabled a day after the auditor-general's, which noted losses of millions of rands in the homelands.

De Klerk, speaking after a meeting with British Deputy Foreign Secretary Lynda Chalker, said legal action would be taken against wrongdoers. If, after investigation, it was found that charges could not be brought, "other steps" would be taken.

He said simultaneous disclosures of corruption in more than one department were "disconcerting", but the way government was handling the issue should instil confidence in the international community.

It showed government was not running away from the issue, but was prepared to take effective steps to rectify the situation.

Chalker commented: "Any government must deal with corruption when it occurs. There is so much to be done and there are many good people, like President de Klerk, who are trying to get it right.

"I do not believe SA will be seen in a negative light for these reasons. The main task now is a peaceful transition and to make sure that any assistance received is spent on that for which it is given."

The report of the joint committee on public accounts, which scrutinises public spending, focused on CCB secret projects in which about R13m was at issue. It covered:

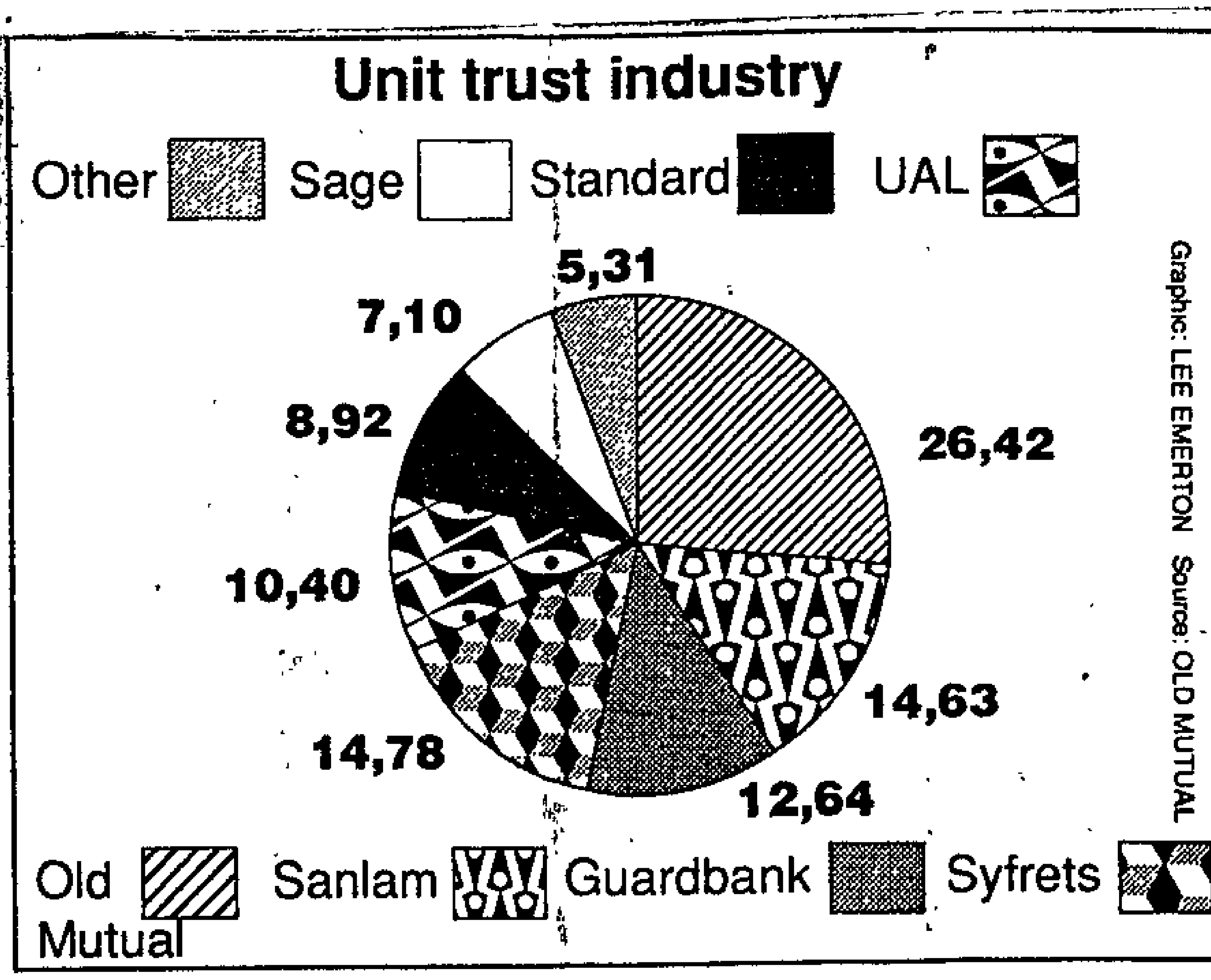
- The R3m involved in Project Samoosa, in which CCB members were paid pensions shortly before the secret project was closed down. This had been recovered;
- Project Goldie, where expenditure was directed inland and was therefore prima facie unauthorised. As this was the subject of a police investigation the committee refrained from making a recommendation;
- The 10 remaining projects of the CCB's "Region 6". There was insufficient information on the expenditure and the committee was therefore obliged to regard the R577 000 involved as unauthorised.

The committee noted that "progress in this matter has been hampered by the fact that certain members require indemnity before revealing information". Steps had been taken to trace the missing files;

- The remainder of the CCB operations involved R10,5m. This was verbally approved by successive commanding officers Maj-Gen Eddie Webb and Maj-Gen A J M Joubert. The committee found the expenditure was not regarded as unauthorised.

The committee also detailed the loss of R1,6m by the Foreign Affairs Department. The money was paid to and stolen by a Nigerian businessman after an abortive attempt to set up a chain of pro-SA magazines in West Africa.

To Page 2



Big industrial nations show major investment growth

BIORY 22/2/93

PERSONAL savings in SA have still not been invested on a large scale in unit trusts, judging from a comparison with other leading industrial nations compiled by the University of Pretoria Graduate School of Management.

According to the survey, the total assets of US mutual funds (the US term for unit trusts) are projected to rise more than three-fold to \$3,63-trillion, of which \$2,2-trillion will be long-term assets and \$1,43-trillion short-term assets.

At the end of 1989, one in four US households owned mutual funds, compared with one in 20 at the beginning of the decade.

In the last decade mutual fund investing has become a mainstream strategy for building wealth in the US.

The country's first fund was launched in 1924. In 1945 the industry had \$1bn in assets and in 1951 one million accounts.

By the early 1970s, there were nearly 400 funds with over \$50bn in assets.

A new concept signalled a dramatic industry change in the early 1970s, the money market mutual fund. This let the small investor participate in the high short-term interest rates of the money market that previously were only available to major institutions.

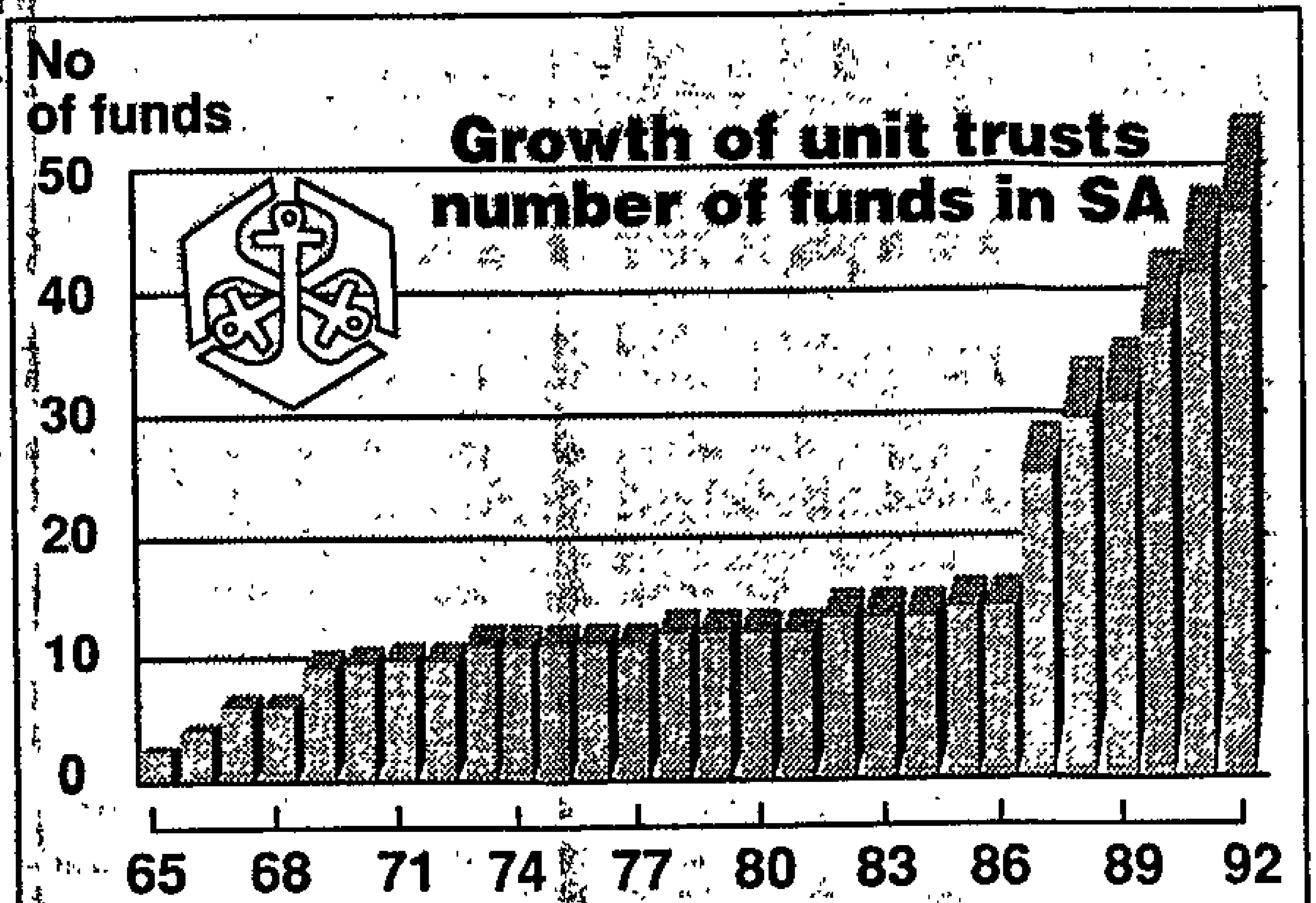
The money market funds sparked a surge of creativity in the industry, resulting in municipal bond funds, government income funds, option/income funds and other specialty or sector funds. The industry now has over 3 000 funds.

Institutional ownership of mutual fund assets were 34% of total assets and individual assets 66% at the end of 1991. Money market funds accounted for 40% of total assets, equity funds 27% and bond and income funds 33%.

In the UK, the industry experienced strong growth during the 1980s. Total assets grew at a compound annual growth rate of 24,33% during the period 1982-1991 to £55bn.

l be a better year for the JSE'

(222)



Graphic: LEE EMERTON Source: OLD MUTUAL

New chairman voices faith in the industry

(58)

BDAY 23/2/92

UNIT trusts will continue to be vital in meeting the long-term investment requirements of the the public, says Bernard Nackan, recently elected chairman of the Association of Unit Trusts.

Nackan was last week elected to succeed UAL executive director Clive Turner.

Standard Bank Fund Managers MD Derick Finlayson is the association's new deputy-chairman.

Nackan, a former financial editor of the Rand Daily Mail, is a director of the Sage group and MD of Sage Unit Trusts management company.

He has been with the group since 1974 and has served in the senior ranks of the association for many years.

He says it is an exciting time to be assuming the association's chairmanship , especially after a decade of spectacular growth which has seen the number of unit trusts increase from 13 to the current 48 and the number of management companies from six to 20.

Industry net sales in 1992 were R2,5bn compared with R48m in 1982, making it an important player in the financial world.

He is confident the industry will continue to grow in all its elements — in the number and range of trusts available to investors, the number of unit trust account-holders and the value of its assets.

There are currently 1,2-million account holders and industry assets have mushroomed from R1,1bn a decade ago to the current R13,5bn.

The need to accumulate capital remains as important as ever. Even with the inflation rate falling it will be vital for the investing public to avoid the erosion of their savings.

Nackan says investment markets, the regulatory environment and the broader financial services industry are ever changing.

The association will therefore have an important role to play in advancing the interests of the unit trust management companies and accountholders, he says.

The association will actively continue to propagate the merits of unit trust investments to bring this medium to the attention of the rapidly growing marketplace in the new SA.

"We are strongly placed to promote our industry based on the uniquely flexible investment medium which has shown exceptional long-term growth."

Nackan says an immediate project for the association is to reach finality with the regulators on the use of derivatives by unit trusts, and to continue self-regulation in areas such as advertising.

Gaining the best from both worlds

BDay 23/2/92

UAL's latest trust, the Managed Fund unit trust, is a new concept which gives investors the opportunity to have the best of both worlds — the growth potential of equities and property and the security of gilts and other fixed interest investments.

UAL Investment Planning MD Peter Anschutz says the ordinary investor is not sophisticated enough to know when to switch to an income fund or a specialist equity trust.

The fund, which was launched last month, will be able to invest in equities, quoted property investments, gilts and cash. (58)

In times of uncertainty the portfolio managers will increase exposure to cash, deposits and gilts.

Exposure

When economic conditions are healthier, portfolio managers will give greater exposure to higher capital growth potential through shares and property.

Anschutz says it was originally intended that the Managed Fund would provide a hedge against the wide fluctuations of prices on the share market.

However, research shows that UAL's Pension Fund Index — based on the returns of 44 pension funds which use the managed fund concept — would have outperformed the all-share index and an index of six major general equity funds over the past one, three, five and seven years.

rusts

Specialist funds yield paltry returns

(58) BIDAY 23/2/93

THE assets of the 17 specialist equity funds increased marginally to almost R1,4bn during the past year, which reflected the paltry returns from most funds in the sector.

The three industrial funds fared the best with an average return of 10,16%, compared with the JSE industrial index's 7,37%.

The two gold funds returned an average 25,49% decline against the gold index's 25,6%.

Decline

The six mining & resources funds reported an average 14,88% decline compared with the 13,83% decline in the mining financial index and the 23,82% drop in the mining producers' index.

None of the mining funds has made a positive return during the past three years, the Pretoria University Graduate School of Management's quarterly unit trust survey shows.

Performed

Pretoria University's Prof Hugo Lambrechts says the only mining fund that has performed better than the inflation rate in the past 10 years is UAL mining — which has produced returns slightly better than inflation over the past 10 years.

On the gold funds he says timing is extremely important. In 1989, Standard Bank Gold Fund achived an annual rate of return of almost 57%.

But then it was downhill all the way and its total assets have dropped from R341m at the end of March 1990 to the present R154,2m.

Companies address timing of lump sum investments

BDAY 23/2/93 (58) (20)

THE industry has come up with two products this year that address investor concerns about getting the timing right when investing lump sums in unit trusts.

Absa's version, a lump-sum investment package called Optimix, developed with Sanlam, allows an investor with a minimum lump sum of R35 000 to invest the money in a five-year annuity payable monthly in arrears.

The monthly after-tax instalment is then used to buy units in Absa's general and industrial trusts on a monthly basis.

Absa fund manager Ben Solomons says the market response to Optimix has been highly encouraging.

Solomon says an advantage of investing in a falling market is that unit trust investments essentially run for a minimum of three to five years.

The market has an inherent long-term upward trend and even if it falls while the client is investing, it is an advantage because more units are purchased for the same amount.

Income is declared on the number of units held and not on the rand value of the investment, so every opportunity to buy more units means an opportunity to earn more income in the future.

Should an investor with a lump sum to invest be worried about the current price, the money can be phased in over time.

Old Mutual says the ideal package for someone who is unsure about current market conditions is its Phased Portfolio package, which helps reduce timing risk for the investor.

A lump sum is invested in Old Mutual Income Fund, a relatively secure investment with high yielding interest-bearing securities and government stock with minimal capital fluctuations.

The lump sum is then transferred, on a regular monthly basis, to any of Old mutual's higher risk/higher growth equity funds over a selected period between six and 18 months. This minimises risks.

Old Mutual AGM Unit Trusts Barry Crookes says timing risk, the risk of enetering the market just before a downward movement in share prices, can be combated by either attempting to invest when unit prices are low, which is nearly impossible to gauge, or spreading purchases over time.

He says those investing through regular monthly payments benefit from downward movements in share prices because they get lower average prices for their purchases with subsequent long-term benefits.

NBS Devco (58)

sets R100-m

STAR 24/2/93.

turnover target

Property Editor

NBS Developments, a low profile division of the financial institution, aims to turn over R100 million this financial year — despite a depressed and highly competitive new home market.

It is already an important contributor to group earnings, having turned over R75 million last year and brought in substantial amounts of new home loan and insurance business.

Transvaal regional director Tom van der Merwe puts its success down to an ability to deliver an affordable, quality product in a variety of communities and income groups.

The company is certainly one of the few successful ones remaining in the conventional township development business — its latest project being Dowerglen in Edenvale, where sales have already topped R65 million.

In total, the company has now built around 12 000 houses.

Deposit insurance scheme mooted

BIDAY 24/2/93 (58)

A VOLUNTARY self-financed deposit insurance scheme needed to be considered to protect the savings of small depositors in financial institutions, Reserve Bank Governor Chris Stals said yesterday.

Speaking at a function in Johannesburg, Stals said the central bank's compensation of losses when smaller banking institutions were forced into liquidation should not be seen as a precedent.

These actions were taken in the interest of the general public and to retain confidence in the banking system, he said.

Depositors had to take responsibility for where they invested.

"Neither the Reserve Bank nor the Registrar can . . . guarantee the safety of deposits placed with financial institutions, even if they were placed with institutions registered under the Banks Act," he said.

Stals said a number of other changes to the banking system were taking place or being considered.

New legislation was being finalised to significantly amend the accommodation provided to banking institutions at the Bank's discount window.

Furthermore, the central bank was holding talks with the private banking institutions on changing the formula for the calculation of minimum cash reserves.

Stals also called for wider discussions on the role played by the Reserve Bank as the lender of last resort for banks.

He said Reserve Bank officials had been in the past accused of negligence, incompetence and even criminal behaviour as it met its obligations.

This perception probably arose as a result of the constraints preventing any Bank official from disclosing information relating to the Bank's business when it came to the aid of an institution. — Sapa.

Aldworth saga focuses spotlight on Absa's future

BDM 24/2/93. JIM JONES (58)

CAN ONE believe accusations levelled by a discredited man, on the run from justice, suicidal and displaying many of the symptoms of paranoia? That is the dilemma faced by shareholders and directors of Absa in the wake of Bob Aldworth's statement faxed from London on Monday.

Defamatory or deranged, allegations about Absa's present management and its finances will inevitably raise questions about the country's largest financial services group. Can it, for example, survive in its present form? How long will MD Piet Badenhorst retain his position? And who could follow him and clean up the mess which is the legacy of Trust-Bank?

Badenhorst and Absa have maintained a strict silence on the matter. If there are legal battles to be fought, they will be fought through the courts. But as the Aldworth saga has progressed, it has become increasingly plain that Aldworth has tried to get himself off the hook by threatening Absa with disclosures.

Badenhorst is a business Jesuit, not prepared to sweep unpleasant problems under the carpet and unnerving in his determination to clear his group of incompetence and dishonesty. If Absa is to emerge squeaky clean on completion of its merger, all the skeletons have to be cleared from the closet. Given Badenhorst's direct approach, he is unlikely to let people he believes to have let him down get away with frauds. In the meantime, though, more attention will be paid to cleaning up than to holding market share.

When Aldworth was hired by Badenhorst he was struggling to make ends meet on a R6 000 monthly pension from FNB and a couple of thousand more from various consultancy jobs. By his own admission, his annual salary package at Absa was R500 000. And even then, by his own written and verbal admission, he robbed Absa.

If Aldworth's fax from London, which contains no hard facts and considerable innuendo, represents all he can say, he is obviously deluded. Aldworth painted a picture of autocratic chaos inside Absa and a lack of appropriate leadership by Badenhorst whom he portrays as vindictive and more intent on pursuing through the courts and by any other means people he believes are his enemies.

According to Aldworth, Badenhorst authorised the tapping of former Allied MD Kevin de Villiers's phone. De Villiers had strenuously opposed Allied's takeover to form part of Absa. He believed the price was too low and backed an initially higher bid from FNB. He subsequently supported a higher bid which put Allied into Absa and his initial opposition, which affected Badenhorst's view of him, helped win a better deal for Allied's shareholders.

Certainly De Villiers's phone was tapped. De Villiers had himself found the bugging device. And, since De Villiers left Allied, his management of Allied and in particular the management of the sponsorship of John Martin and the Allied Bank yacht has been investigated. Nothing untoward has been made public.

If Aldworth's portrayal of Badenhorst's management style could be relied upon, it might appear that Absa's MD is focusing too much on the past rather than on the future. But that is necessary in Absa — the organisation itself cannot develop properly if past mismanagement and corruption are not rooted out.

Badenhorst is not managing an ordinary banking group. And many argue Badenhorst's toughness is appropriate in Absa's present mode. He is having to deal with considerable problems inherited from TrustBank and Bankorp as well as the unavoidable problems of merging large companies with differing corporate cultures. The name TrustBank has for years been a byword for many of the things which can go wrong with a bank.

☐ BADENHORST

Control systems were atrocious, and that gave rise to any number of opportunities for fraud or for covering incompetence. Sorting them out will be neither quick nor easy.

Piet Liebenberg, whose departure from Absa was publicly more amicable than De Villiers's, admitted defeat. Early on in his stewardship of Bankorp, Liebenberg had realised he was not capable of sorting out the problems of that group. He turned a merchant banker's eye on the problem and negotiated the merger of Bankorp into Absa at a price which, in retrospect, might not have taken full account of the catastrophic state of Bankorp's affairs.

When Liebenberg brought Bankorp to the Absa merger, he also brought with it the Tollgate exposure which Aldworth reckons at more than R250m. Tollgate was more of a mess and had more skeletons in its closet than Absa executives realised.

For years Sanlam had plied Bankorp/TrustBank with capital and business and it is not clear if TrustBank had ever succeeded in repaying the multimillion-rand lifeboat loan the Reserve Bank had advanced to prevent a total collapse. TrustBank's problems have deep roots.

But Aldworth's questioning whether R1bn provided by the Reserve Bank and Sanlam is adequate to cover Absa's prospective losses has reopened old complaints from Absa's [illegible] throw in a sweetener to persuade Absa to take on board a Bankorp on the verge of collapse? And does Aldworth's R1bn fully state the extent of the Reserve Bank's intervention?

The Reserve Bank is never open about its intervention to prevent banks going belly up. It will need to be more open if it is to claim independence from government and if it is to demonstrate an absence of favouritism.

In addition, the TrustBank saga underscores the need for proper disclosure, clear to shareholders and capable of correct interpretation by analysts. Badenhorst paid more than he wanted for Allied and Bankorp and failed to realise the full extent of the problems and potential bad debts inside Bankorp.

Competitors frequently ask if Badenhorst is the man to sort out Absa's problems. Certainly there are no immediately obvious replacements inside the group while Absa continues to cut away bad debts and to rid itself of poor management.

An option might be to unbundle — to turn Volkskas into a bank serving the country districts, Allied and United into consumer banking enterprises and parts of Bankorp into a corporate bank. There would appear to be little synergy as this first period following the creation of Absa would appear to indicate.

But shareholders, who helped put Absa together, are unlikely to be inclined to unbundle while the restructuring is in progress.

Sanlam, which has thrown away a fortune trying to salvage Bankorp is unlikely to abandon the effort at this stage. And there are considerable attractions to Rembrandt in having joint control of the country's largest banking group. But their investment requirements might not be the same as minority shareholders'.

It is not absolutely certain that Absa will survive in its present form, or how far downsizing might go. And there remain considerable doubts about the quality of many large debts brought in by bankers who chased lending volume rather than quality. Does the fact that Absa is rated on an 8,4 earnings multiple make it worth holding while Stanbic is rated on a multiple of 13,3, Nedcor is on 9,2 and FNB on 11,0?

Much depends on the investors' rating of Piet Badenhorst.

Changes at the discount window — Stals

58

CT 24/2/93

JOHANNESBURG. — Banking institutions will soon see major changes at the Reserve Bank's discount window, bank governor Chris Stals said yesterday.

"New legislation is now in the process of finalisation for significant changes to the existing procedures for providing accommodation," Stals said in a speech at the Communicator of the Year award ceremony.

"Bankers' acceptances will no longer be eligible for rediscount at the discount window and a revised definition of liquid assets is being introduced," he said.

Stals said the Reserve Bank was involved in talks on changes to the formula for calculating minimum cash reserves and on the growing risk exposures of banks in respect of open positions in the automated clearing system.

Stals said bank officials had sometimes been accused of negligence or even criminal misbehaviour in meeting obligations under the bank's lender of last resort facility.

"I can only make the deduction that the bank's public communications in this regard are not good enough," he said.

"The bank would therefore consider ways of giving greater transparency to future operations executed in terms of its commitment to provide lender of last resort facilities." — Reuter

Protect small investors' savings, Stals urges

ARGUS 24/2/93 (58)

JOHANNESBURG. — A voluntary self-financed deposit insurance scheme needs to be considered to protect the savings of small depositors in financial institutions, Reserve Bank Governor Chris Stals has said.

Speaking at a function in Johannesburg yesterday, Dr Stals said the central bank's compensation of losses when smaller banking institutions were forced into liquidation should not be seen as a precedent.

"These various actions (to compensate the depositor in the failed institutions) by the Bank were taken in the interest of the general public and to retain confidence in the banking system."

Dr Stals emphasised that it was ultimately the depositor that must carry the risk and responsibility for where they invested their savings.

"Neither the Reserve Bank nor the Registrar can... guarantee the safety of deposits placed with financial institutions, even if they were placed with institutions registered under the Banks Act," he said.

Dr Stals said a number of other changes to the banking system were taking place or being considered.

New legislation was being finalised to significantly amend the existing procedures for providing accomodation to banking institutions at the Reserve Bank's discount window.

"In future, for example, bankers' acceptances will no longer be eligible for re-discount at the discount window, and a revised definition of liquid assets is being introduced," he said.

Furthermore, the central bank was holding talks with the private banking institutions on changing the formula for the calculation of minimum cash reserves.

"Discussions are (also) in progress on the growing risk exposures of banking institutions in respect of open positions in the automated clearing system."

or will be made to accommodate candidates who need these certificates; if so, what arrangements;

(4) whether he will make a statement on the matter? B127E

†The MINISTER OF NATIONAL EDUCATION:

(1) Yes. As from 4 September 1992 the Senior Certificate is issued only by the South African Certification Council (SAFCERT) to all learners in the Republic of South Africa who comply with the prescribed requirements.

(2) No. The certificates are issued per examining body, as the necessary information is received from the examining bodies. The deadline for the provision of this information is 28 February 1993. A start will then be made with the issuing of the certificates and it is envisaged that this task will be completed by the end of May 1993 This is also the date on which this task was completed in the past.

(3) No. In the meantime, however, candidates may use the statements of examination results which they have already received from their respective examining bodies, in cases where they may require certificates

(4) No.

*4 Mr D J Dalling—Correctional Services. [Question standing over.]

HSRC publications in Afrikaans

*5 Mr P H DE LA REY asked the Minister of National Education.†

(1) Whether the publication "In Focus" of January 1993 and the pamphlet "Regional Powers in a new Constitution", No 4 of 1992, published by the Human Sciences Research Council (HSRC), appeared in English only; if not, what are the relevant details; if so, why;

(2) whether the HSRC issues any other publications that appear in English only; if so, why;

(3) whether he or his Department will take steps to ensure that Afrikaans receives equal treatment in this regard? B132E

†The MINISTER OF NATIONAL EDUCATION:

(1) Yes The publication "RGN/HSRC in Focus" is an external newsletter of the HSRC which appears ten times a year The newsletter attempts to convey information on recent HSRC research in a popular-scientific manner Articles are usually written in the language in which the research report concerned was originally written. The result is that the language proportion varies from one issue to the next.

The January 1993 issue of "In Focus" was published in English only. This was done so that it could be included and distributed as a special marketing supplement in three English magazines (*Finance Week*, *Enterprise* and *IMP Journal*) It is possible that the HSRC could do this in Afrikaans on another occasion "In Focus" would then be published in Afrikaans only.

The pamphlet "Regional Powers in a new Constitution" No 4 of 1992, is a newsletter of the HSRC's Centre for Constitutional Analysis. The newsletter deals mainly with HSRC research in this field. It appears in English only so that those in our country who are not proficient in Afrikaans but are closely involved in the discussions on the constitutional future of South Africa may have first-hand access to research in this very topical field The cost implication of publishing the newsletter in Afrikaans too is an important consideration in its being published only in English at this stage.

(2) Yes. "Africa 2001" is a journal that reports exclusively on conferences relating to Africa. Both the editions that have appeared so far were published in English only because the conferences concerned had been exclusively in English. The journal is also distributed in other parts of Africa.

"Information Update" is a syndicated news journal that is distributed to subscribers only. The journal contains strategic information on HSRC surveys on socio-political and economic matters in

particular It is actively marketed in foreign countries It is mainly for this reason and for business considerations that the journal appears only in English

(3) The Department does not have such a jurisdiction regarding the HSRC, it is the responsibility of the Council of the HSRC to formulate its language and publication policy. I shall naturally bring the hon member's questions to the attention of the chairman of the Council of the HSRC. I shall also discuss the HSRC's language and publication policy with him.

Virginia/Odendaalsrus: closure of hospitals

*6. Mr J M BEYERS asked the Minister of National Health:†

(1) Whether her Department or the Provincial Administration of the Orange Free State is considering or has considered closing the provincial hospitals in Virginia and Odendaalsrus; if so, why, in each case;

(2) whether steps have been taken or are being taken in respect of the closing down of these hospitals; if so, what steps;

(3) whether she will make a statement on the matter? B159E

The MINISTER OF NATIONAL HEALTH

(1) No;

(2) no;

(3) no.

58

Local authorities: investments

*7. Mr J M BEYERS asked the Minister of Finance:†

(1) Whether local authorities are prohibited from making investments in insurance concerns, if so, (a) why and (b) in terms of what statutory or other provisions;

(2) whether his Department intends lifting this prohibition, if not, why not; if so, when;

(3) whether local authorities have been informed of this intention; if not, why not; if so, when;

(4) whether he will make a statement on the matter? B160E

†The DEPUTY MINISTER OF FINANCE (Dr T G Alant):

(1) Yes, during 1989 a ban was placed on investments with insurance concerns by Ministers concerned with public funds of statutory bodies and by Administrators with regard to local governments at the request of my predecessor.

(a) Some insurance companies utilised the tax benefits received together with the non-taxability of certain government bodies in particular to compete with other financial institutions in order to offer guaranteed earnings on investments. The perception that an unequal playing field existed has been confirmed by the Margo Commission as evidence by the finding that the tax dispensation applicable to long term insurers has been a contributing factor to savings being channelled to these institutions which negatively influenced equal competition in financial markets. This matter has been investigated by the Special Economic Advisor of the Minister of Finance, Dr A S Jacobs, as a part of the investigation into the promotion of equal competition for funds in financial markets The ban was introduced pending the result of this investigation.

(b) The request by the former Minister of Finance that statutory funds (funds of local governments included) may not be invested with long term insurers until further notice, was made after discussion in the Cabinet. The legal authorisation for such a ban, in the case of local authorities, is based on the authority to determine by Ordinance where public funds may be invested by the concerned authorities. The relevant Ordinances of the Cape Province, Natal, Transvaal and Free State are prescriptive regarding the type of investments that may be made by local authorities Investments with insurance companies are currently excluded.

cont. →

(2) As a result of the recommendations of the afore-mentioned investigation, the Insurance Act, 1943, has been amended by means of the Financial Institutions Amendment Act, 1992, in order to enable long term insurers to enter into amortisation business under certain conditions. The Department of Finance has recently, after further investigation of this matter, recommended that the investment of funds with insurance companies may be considered under certain conditions. I am currently considering these recommendations and my decision will be presented to Cabinet for ratification in the near future whereafter an announcement will be made to all parties concerned.

(3) Yes, local authorities have been consulted on a regular basis and have also been informed of the existing position by means of the Permanent Finance Liaison Committee (PFLC) in which organised local government is represented and which serves as a discussion forum on financial and administrative matters for local authorities.

(4) No

SARCC: safety on trains

*8. Mr J CHIOLÉ asked the Minister of Transport:†

(1) Whether the South African Rail Commuter Corporation has formed an alliance grouping for the purpose of monitoring safety on suburban trains and making suggestions with a view to improving security measures; if so, (a) what are the (i) aims and (ii) functional powers of this grouping and (b) (i) who are the members of this grouping and (ii) what organizations do they represent;

(2) whether these members receive any remuneration or benefits; if not, why not; if so, what is the nature of such remuneration or benefits? B161E

The MINISTER OF TRANSPORT:

(1) No.

(a) (i) and (ii) and (b) (i) and (ii) Fall away.

(2) Falls away

†Mr J CHIOLÉ: Mr Speaker, arising out of the hon the Minister's reply, I should like to ask him whether the reports that appeared in the press in this connection were not correct.

†The MINISTER: Mr Speaker, I do not know what reports appeared in the press, but we do not have any alliance grouping. What the Police and the Rail Commuter Corporation have, however, undertaken to do—and I shall read it in English, because the title of this extract is in English—is the following:

> Agreement between the South African Rail Commuter Corporation, Spoornet and the delegation of the Minister of Law and Order, and the delegation of community leaders representing the ANC, SACP, Cosatu, Cast, the ICP and Sarhwu.

That is the agreement that was reached, but there was no forming of an alliance with anyone under any circumstances.

Black local authorities: arrears iro rental/service charges

*9. Mr J CHIOLÉ asked the ~~Minister~~ of Local Government:†

(1) (a) What were the total arrears in respect of rental and service charges for Black local authorities in South Africa as at 31 December 1992 and (b) what portion of this amount due was owed to Eskom as at that date;

(2) in respect of the latest specified date for which information is available, (a) the services of which Black local authorities were fully or partially resumed despite outstanding rental and service charges after they had been discontinued during the period 1 January up to and including 31 December 1992 and (b) which of these authorities owed outstanding amounts directly to Eskom;

(3) whether he will make a statement on the matter? B162E

The MINISTER OF LOCAL GOVERNMENT:

(Reply partially laid upon the Table with leave of House):

(1)

PROVINCE	(A) DEBT OF RESIDENTS TO BLACK LOCAL AUTHORITIES ON 31 DECEMBER 1992	(B) DEBT OF BLACK LOCAL AUTHORITIES TO ESKOM
Orange Free State	R 128 795 760	R 35 084 301
Natal	R 10 650 641	Nil
Cape Province	R 166 716 725	R 544 962
Transvaal	R1 606 640 880	R607 587 684
TOTAL	R1 912 804 006	R643 216 947

It must be stressed that the debt of residents to black local authorities cannot be linked directly to the discontinuation of bulk services, seeing that these services are purchased by Black local authorities from bulk suppliers and not by individual residents. Non-payment or malpayment of residents to Black local authorities influence the latter's cashflow, which has a detrimental effect on the settlement of their services accounts.

(2)

PROVINCE	(A)	(B)
Orange Free State	None	None
Natal	None	None
Cape Province	Bhongweni (Cookhouse) Tklakalatlou (Danielskuil) Nomonde (Molteno) Ditloung (Olifantshoek) Khayamnjandi (Steynsburg) Paballelo (Upington) Kutlwano (Windsorton) Boipelo (Reivilo) Sabelo (Richmond) Lingelethu (Adelaide) Mzwabantu (Britstown) Tidimalo (Delportshoop) Bongani (Douglas) Thembalethu (George) Valspan (Jan	Geen

Tailored banking package for professionals

(58)

Standard Bank

STAR 24/2/93

***Recognising** the fact that young professionals trying to establish themselves are generally not supported by financial institutions, Standard Bank launched two new banking packages.*

Standard Banks new Med-Elite and Pro-Elite banking services packages for professionals have had a significant impact in the market place. Since their recent launch, the innovative packages have captured a major share of these niche markets.

The packages are essentia tailored for the "professional" market in the broadest sense, including the recently qualified and up-and-coming young professional.

Med-Elite caters for doctors, dentists and veterinary surgeons, and Pro-Elite meets the needs of CAs, lawyers, degreed architects and engineers.

The new packages recognise the fact that, erroneously in the past, professionals who were still in the process of establishing themselves were not able to always apply for such facilities and that there was a need for more comprehensive services for this market.

"Essentially qualification for one of the earlier packages was based on income and not on status per se," says Standard's general manager retail markets, John Holloway.

"This had been based on the initial niche marketing forays made by Standard and other banks beginning in the mid-80s when it was realised that different income groups within the client mix should berecognised for their achievements by way of access to more advantageous products and services.

"The notable case in point was Standard's AchieverPlan which had been very well received and was seen as a stepping stone to the ultimate Standard Bank Package — the PrestigePlan.

"We recognised the fact that because our plans were income based there was an important gap in ourniche marketing philosophy. We therefore decided to broaden the scope of the potential applicants among SA's 60 000 professionals and at the same time to enhance the product.

"By way of an initial sortie into the market, it was decided to concentrate on the medical sector for reasons of its homogeneity and clearly definable nature.

"Med-Elite was the result, a package billed as 'Standard Bank's financial package that meets all the needs of SA's medical practitioners.'" The benefits of Med-Elite are extensive. Members are guaranteed access to an exclusive and sought-after range of preferential financial services as a matter of course. These include:—

Automatic unsecure overdraft facilities at prime rate for Med-Elite clients. The guaranteed limits are determined by gross annual income but are less than R20 000.

■ Distinctive Med-Elite cheque books for members and their spouses with individual cheques guaranteed up to R1 000 — members are able to draw up to R1 000 a day through Standard's AutoBanks and service fee rates are highly competitive.

■ Standards Bank's Gold Mastercard is available to Med-Elite members and their spouses with combinedlimits ranging from a minimum of R5 000 with increased limits in line with income.

■ Clients qualify for Standard Bank's superb AccessBond, a breakthrough in home loan financing providing flexibility and control — also at a preferential rate.

■ Med-Elite study loans for registrars, up to R22 500 can be made available at below prime rates to assist registrars for post graduate study purposes.

"We also recognised the strong need for financing a new practice, for buying into an existing practice or increasing an existing share in a practice," says Mr Holloway.

"In this context, our Equity Purchasing Scheme and Stannic's FinRent, financial lease and instalment sale instruments are ideally suited for financing of motor vehicles and equipment. These servicesare naturally complementary to the overall package with the added incentive of accessing them at preferential rates." In addition, medium-term loans are available to finance expenditure of a capital nature and commercial bond purchase over 20 years assists the professional and his partners to purchase a property fora practice.

"The impact of Med-Elite and PrestigePlan has been tremendous and we estimate we now have about 50percent of the medical banking services market," says Holloway.

"Having tested the water as it were, it soon became apparent that other professionals sought similar facilities. In fact we fully anticipated a reaction of this kind and we acted rapidly.

"As a result we formulated the Pro-Elite package for chartered accountants, lawyers, degreed architects, and engineers.

"While Pro-Elite has been tailored to meet the specific needs of the abovementioned professional market niches, it offers similar facilities to Med-Elite, again at preferential rates. Since launch, we have experienced a tremendous response with market penetration in these niches increasing steadily."

For further information, please telephone (011) 636-4604.

Insurance plan mooted for depositors

(58)

STAR 24/2/93.

A voluntary self-financed deposit insurance scheme needs to be considered to protect the savings of small depositors in financial institutions, Reserve Bank Governor Chris Stals said yesterday.

Speaking at a function in Johannesburg, Dr Stals said the central bank's compensation of losses when smaller banking institutions were forced into liquidation should not be seen as a precedent.

"These various actions (to compensate the depositor in the failed institutions) by the Bank were taken in the interest of the general public and to retain confidence in the banking system."

The veteran central banker stressed that it was ultimately the depositor that must carry the risk and responsibility for where they invested their savings.

"Neither the Reserve Bank nor the Registrar can ... guarantee the safety of deposits placed with financial institutions, even if they were placed with institutions registered under the Banks Act," he said.

Dr Stals said a number of other changes to the banking system were taking place or being considered.

New legislation was being finalised to significantly amend the existing procedures for providing accommodation to banking institutions at the Reserve Bank's discount window.

"In future, for example, bankers' acceptances will no longer be eligible for re-discount at the discount window, and a revised definition of liquid assets is being introduced," he said.

Furthermore, the central bank was holding talks with the private banking institutions on changing the formula for the calculation of minimum cash reserves.

"Discussions are (also) in progress on the growing risk exposures of banking institutions in respect of open positions in the automated clearing system."

Dr Stals also called for wider discussions on the role played by the Reserve Bank as the lender of last resort for banks.

He said Reserve Bank officials had been in the past accused of negligence, incompetence and even criminal behaviour as it met its obligations as the lender of last resort.

This perception probably arose as a result of the constraints placed on the central bank by Article 33 of the Reserve Bank Act which prevents any Bank official from disclosing information relating to the Bank's business when it comes to the aid of an institution.

"The Reserve Bank would therefore consider ways and means to give greater transparency to future operations executed in terms of its commitment to provide lender of last resort facilities in cases of extreme distress," Dr Stals said.

He stressed the lender of the last resort facility was only intended to provide some comfort to depositors and to prevent a major collapse in the banking system.

"The Bank has always been reluctant to provide any assistance that would benefit existing or new shareholders, or protect bad management within a banking institution faced with self-inflicted internal financial difficulties," Dr Stals explained. — Sapa.

Sanco highly critical of foreign acquisitions

BIDAY 25/2/93. (58)

WILSON ZWANE

THE acquisition of foreign banks and businesses by local banks had done little to build confidence that they were ready to invest in a new SA, SA National Civic Organisation (Sanco) president Moses Mayekiso said yesterday.

Mayekiso said his organisation had completed research showing that capital flight from SA — in the form of offshore investments — involved tens of billions of rands.

Absa, Standard, FNB, Investec and Nedcor had purchased foreign businesses.

Mayekiso said if purchases of foreign businesses by SA banks continued unchecked, it could open new opportunities for those engaged in an "illegal export of capital made during the apartheid years".

He said by purchasing foreign businesses banks were sending a clear signal to foreign investors not to invest in SA once an interim government had been installed.

Such purchases undermined prospects for renewed confidence in the SA economy, he said, adding that the purchases also undermined the country's attempts to build a stable macroeconomic framework "to provide the basis for growth and redistribution (of wealth)".

He said SA's "primitive" exchange controls would have to be "policed extensively as part of attempts to resist any scorched earth response to the emerging new SA".

Sanco was to have made its concerns known at a meeting with the Association of Mortgage Lenders yesterday.

GRETA STEYN reports that bankers responded to Sanco's accusations by saying foreign investment was needed to facilitate foreign trade and encourage foreign investment in SA.

A Nedbank spokesman said banks did not follow an "either, or" approach to investing in SA or overseas — both were necessary and dictated by clients' needs.

FNB GM Viv Bartlett said SA was again part of the international community and it would be a disservice to clients not to have an offshore presence. Standard Bank Group spokesman Graham Bell said foreign investment by SA companies created wealth by enabling trade expansion.

The group had a major presence in Africa because it was SA's hinterland and trade with the continent was growing.

New Republic Bank in R17,4m rights offer

Business Day Reporter

THE New Republic Bank (NRB) is to raise R17,4m by way of a rights offer which will increase its shareholders' funds to R40m, a statement released yesterday says.

The rights offer is being underwritten by Merhold, the financial arm of the SA Bias group. In terms of arrangements made with Merhold, Sanlam will thereafter acquire 15% and IGI Life 10% of the Republic Bank's capital. (58)

Merhold chairman Chris Seabrooke said the rights issue had virtually doubled NRB's capital. BDay 25/2/93

The introduction of Sanlam and IGI Life as NRB's first institutional investors was a credit to the strength of the bank, he said.

NRB MD Mac Mia said the increased capital base meant the bank would meet the full 8% capital adequacy requirement immediately and put the bank in a position to expand commercial banking activities.

US bank, Investec in Zambia deal

[redacted] GRETA STEYN

INVESTEC and the US bank that triggered SA's debt crisis in 1985, Chase Manhattan, have signed an $80m deal with the Zambian Central Bank to provide oil and trade finance to Zambia. (58) [redacted]

Investec and Chase are lead managers of the financing arrangement which also includes Société Générale, Générale Bank, Banque Belgolaise and Générale de Banque.

Bankers yesterday described the agreement as a landmark deal that underlined SA's return from the financial cold.

The London-based specialist banking magazine International Financial Review reported the deal was signed after seven difficult months of negotiations, during which Swiss bank UBS put up fierce competition. The magazine said Zambia would rely on Chase's $80m facility to pay for its total annual supply of crude oil and other essential imports. BDAY 25/2/93

The manager of Investec's emerging markets division, Andrew Smith, yesterday confirmed the deal and explained it had significant benefits for SA exporters. While the main reason for the finance facility was oil imports, the deal was structured in such a way that available finance not used for oil could be used for other imports. The portion of the facility left

□ To Page 2

Investec

BDAY 25/2/93 [redacted] (58)

□ From Page 1

after oil imports had been financed would be used to confirm letters of credit for SA suppliers. [redacted]

Investec would be providing finance only for SA exports. Smith expected the facility to finance trade totalling about $25m a year.

Investec executive chairman Bas Kardol said: "This deal flows from our memorandum of understanding that Investec signed with the Zambian authorities shortly after the new government was formed in October 1991."

The deal was attractive to international banks as Zambia provided copper as collateral, Smith said. The Review reported Chase was awarded the mandate in June last year, beating UBS in close competition, for refinancing an existing UBS-arranged facility which had matured in May. UBS put together the first deal after the Iraqi invasion of Kuwait upset existing arrangements. However, the Zambian authorities were slow to sign with Chase while UBS hoped to secure the contract for a second year. The contract will be renegotiated after a year.

Sabta working for new deal on repossessions

B/DAY 25/2/93

(58) JOHN DLUDLU

SABTA and Future Bank were working on a new financial scheme aimed at reducing the rate at which taxis were being repossessed, Sabta spokesman Mike Ntlatleng said yesterday.

Last year 30 western Cape taxi associations broke away from Sabta citing, among others reasons, its failure to negotiate repossessions with Wesbank. Wesbank has since handed over Sabta members' accounts to Future Bank.

He said Sabta was reviewing the scheme and would today unwrap a "new deal for taximen".

Future Bank spokesman James Smith said the rate of repossessions had "not been dramatic, but we realise there has been a problem with affordability of instalments".

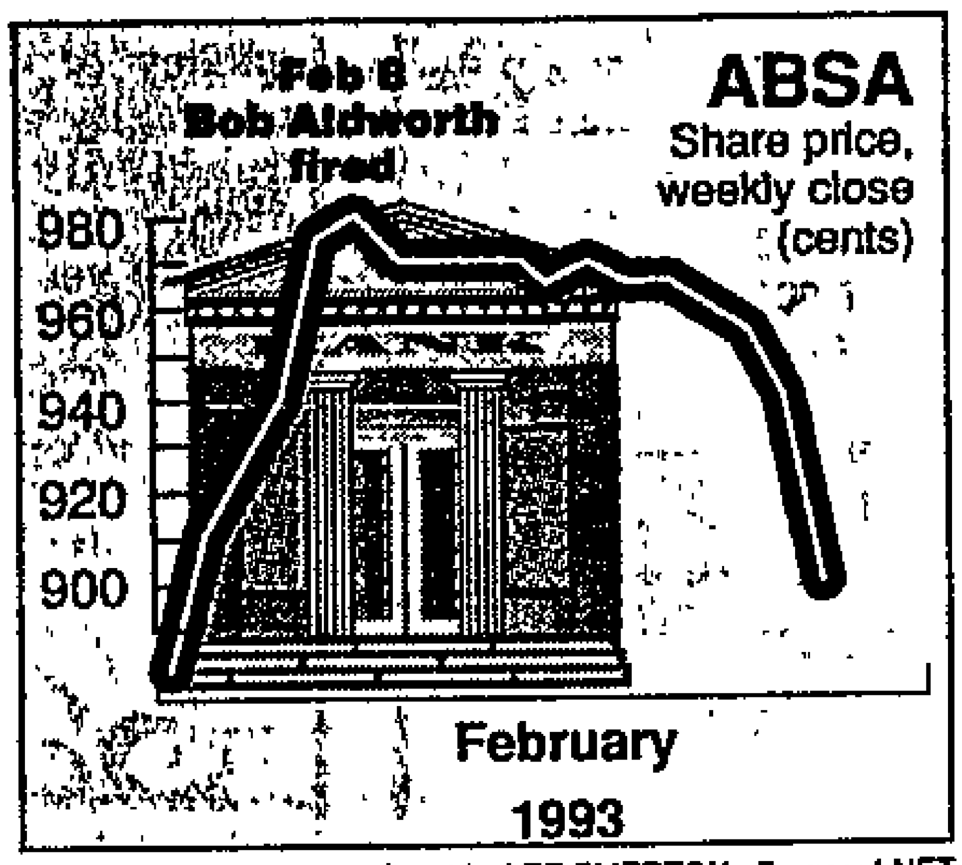
Ntlatleng said massive retrenchments had encouraged people to turn to the taxi industry for a livelihood, restricting the profitability of the industry. To aggravate matters, passenger volumes had shrunk.

"The repossessions are caused by inability to pay instalments, just like in the housing sector," he said.

Ntlatleng said the problem affected taximen countrywide. "It would be wrong to say it is acute in Natal."

He denied the repossessions stemmed from a misunderstanding of the Sabta pool scheme. "The Sabta pool scheme accounts for 20% of the repossessions."

The scheme — run jointly with Future Bank — was launched to help black people get financial assistance from banks, and required members to pool money for collateral. The money was used as surety in a bank, enabling members to obtain loans and served as backup for members in arrears.



Graphic: LEE EMERTON Source: I-NET

Aldworth affair hits Absa shares

SHARON WOOD (58)

ABSA's share dropped 40c or 4,3% to 900c on the JSE yesterday in the wake of the Aldworth affair, before recovering slightly to close at 905c. BDM 25/2/93.

Banking analysts said it was not surprising the share price had moved because of the uncertainty the events had created. But they said investors could be overreacting to allegations dismissed director Bob Aldworth had made about the group.

"At the end of the day Aldworth is a broken guy and what he says won't be taken seriously," Martin & Co banking analyst Richard Jesse said.

Another analyst said the share price would "swing wildly" until annual results were released in May. "We do not know the assessed losses and bad debts of the group and until the situation is revealed, the share will be very volatile."

The analyst said it could take until May 1994 before investors were satisfied that they knew what was going on within the group. He expected the share to move in a range of between R9,00 and R10,50.

Institutions would buy at the bottom of the range and when the share reached the top, they would sell and take their profits, he said. In addition, the shares were "naturally more volatile" than other banks' shares because about 25% of them were held by private investors.

☐ To Page 2

Absa BDM 25/2/93 (58)

☐ From Page 1

Jesse said the share would represent value in the longer term.

An analyst said it was common knowledge that the Reserve Bank had given assistance to TrustBank. "This was given to TrustBank and not to Absa, probably at the time of the second rights issue, and thus a year before Absa took over the bank."

Analysts generally agreed Absa had a problem with its management. But one analyst said it was a problem that could be solved. "Absa can afford to buy decent management and thus it is something that is fixable. The problem arises when the business itself is bad and we will only know the state of Absa's business when the results are released."

NRB paves way for JSE listing

By Des Parker Star 25/2/93.

DURBAN — New Republic Bank (NRB) has paved the way for a JSE listing with the announcement of a rights offer which will make Sanlam and IGI Life the first institutional shareholders in the Durban-based company.

The offer, which closes on March 26, is underwritten by SA Bias's financial arm Merhold and will almost double the share capital of the bank from R22,6 million to R40 million.

(58)

MD Mac Mia ~~says~~ that in terms of the arrangements with Merhold, Sanlam will acquire 15 percent and IGI Life 10 percent of the bank's shares.

"This increased capital base means the bank will have met the full eight percent capital adequacy requirement immediately," he says.

"It will also place us in a favourable postion to expand the bank's commercial activities and the range of services we provide."

NRB has nine retail and three corporate branches, and intends to apply soon for a JSE listing.

Banks foreign (58) activity criticised

CT 25/2/93

JOHANNESBURG. — The acquisition of foreign banks and businesses by local banks had done little to build confidence that they were ready to invest in a new SA, SA National Civic Organisation (Sanco) president Moses Mayekiso said yesterday.

Mayekiso said his organisation had completed research showing that capital flight from SA — in the form of offshore investments — involved tens of billions of rands.

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A Nedbank spokesman said banks did not follow an "either, or" approach to investing in SA or overseas — both were necessary and dictated by clients' needs.

FNB GM Viv Bartlett said SA was again part of the international community and it would be a disservice to clients not to have an offshore presence.

Standard Bank Group spokesman Graham Bell said foreign investment by SA companies created wealth by enabling trade expansion.

Storm clouds around Absa have not disappeared

Star 25/2/93 (58)

Controversy and infighting have plagued the group since its birth, reports the Finance Staff.

MUCH as the controversial chief executive of the giant Absa group Piet Badenhorst (56) would like to avoid it, South Africa's super banking group with assets exceeding R80 billion, has consistently been in the public spotlight for over three years.

For much of the birth of Absa — the Amalgamated Banks of South Africa, consistin of Volkskas, United, Trust Bank and the Allied — has been accompanied by bitter infighting, litigation, retrenchments and a flight of top bankers from the group.

A number of top bankers have either resigned, taken early retirement or were retrenched in recent months. The latest resignation was that of Piet Liebenberg, previously head of Bankorp, who left the group late last year, a year before his intended retirement date.

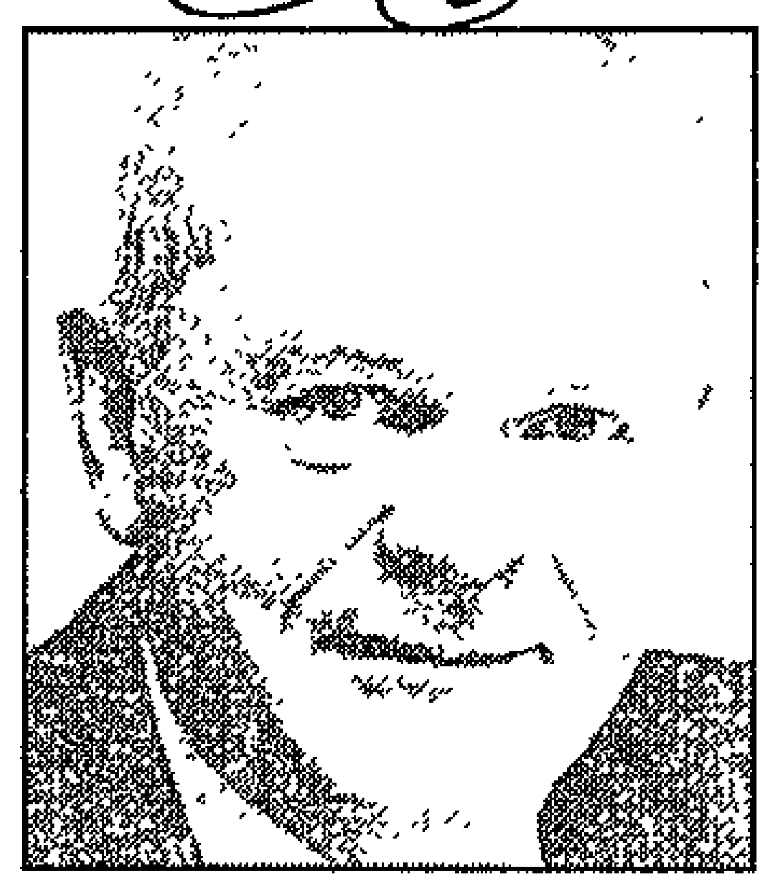
At the same time another top executive Hennie Diederichs, who was head of both Volkskas and Trust Bank, resigned to join the Post Office.

Several other senior managers have been retrenched, only to be snapped up by rival bank ing groups, the latest being Angus Prentice who worked under Aldworth at the Allied.

However, at the weekend it was announced that Absa has employed eight overseas bankers to provide the group with skills in the international banking area.

Badenhorst's bitter dispute with Kevin de Villiers, the previous MD of Allied, was the focus of a bitter ongoing saga; both in the courts and on corporate level.

De Villiers apparently earned Badenhorst's wrath by publicly opposing United's offer for Allied; he sided with First National Bank who was also interested in getting control of Allied. United finally had to increase its offer by nearly R200 million to gain control of the Allied.



Chief executive of Absa . . . Piet Badenhorst.

In addition Badenhorst has been involved in a number of disputes with various newspapers, magazines and radio stations.

And if allegations made by Aldworth — whom Badenhorst only last year described as "the best banker in South Africa" — are anything to go by, the storm clouds have not disappeared yet. Not for a long while.

A number of senior journalists have been "blacklisted" by Badenhorst for comments they made during the United's fight for control over Allied Bank in 1990/91.

As chief executive of the United, SA's largest building society, Badenhorst embarked on a merger/takeover trail in the mid-'80s which first included Volkskas, then Allied and last year he also managed to take control of the ailing Bankorp group, the parent company of Trust Bank and Senbank.

Persistent rumours allege that this deal was facilitated with a R1 billion "soft loan" from the Reserve Bank. A spokesman for the Reserve Bank declined to comment.

In spite of all the controversy, banking analysts insist that the super-bank has enormous long-term potential and that if anyone can make the mergers and take-overs work, it will be Badenhorst.

In addition, they say, in order to compete on international markets, South Africa needs large banks with adequate capital to take on the banking giants of the world. □

INNER CITY HOUSING FM 26/2/93 (58)

Breathing life into the core

Town planners have long argued that, without people, cities die. Now the Central Johannesburg Partnership (CJP) — a body comprising the Johannesburg City Council, the private sector and inner city residents — has a plan that it hopes will bring life back to central Johannesburg and provide housing.

The CJP's newly formed Inner City Housing Upgrading Trust (Ichut) aims to provide 6 000-8 000 flats in inner Johannesburg, by converting non-residential buildings, building new flats or upgrading buildings over the next few years.

The CJP has devised a scheme to encourage financial institutions to lend in inner city areas which they have "red-lined" because of the risk of depreciating property values. In essence, grant money will be held by Ichut to provide collateral to mortgage lenders over 15 years.

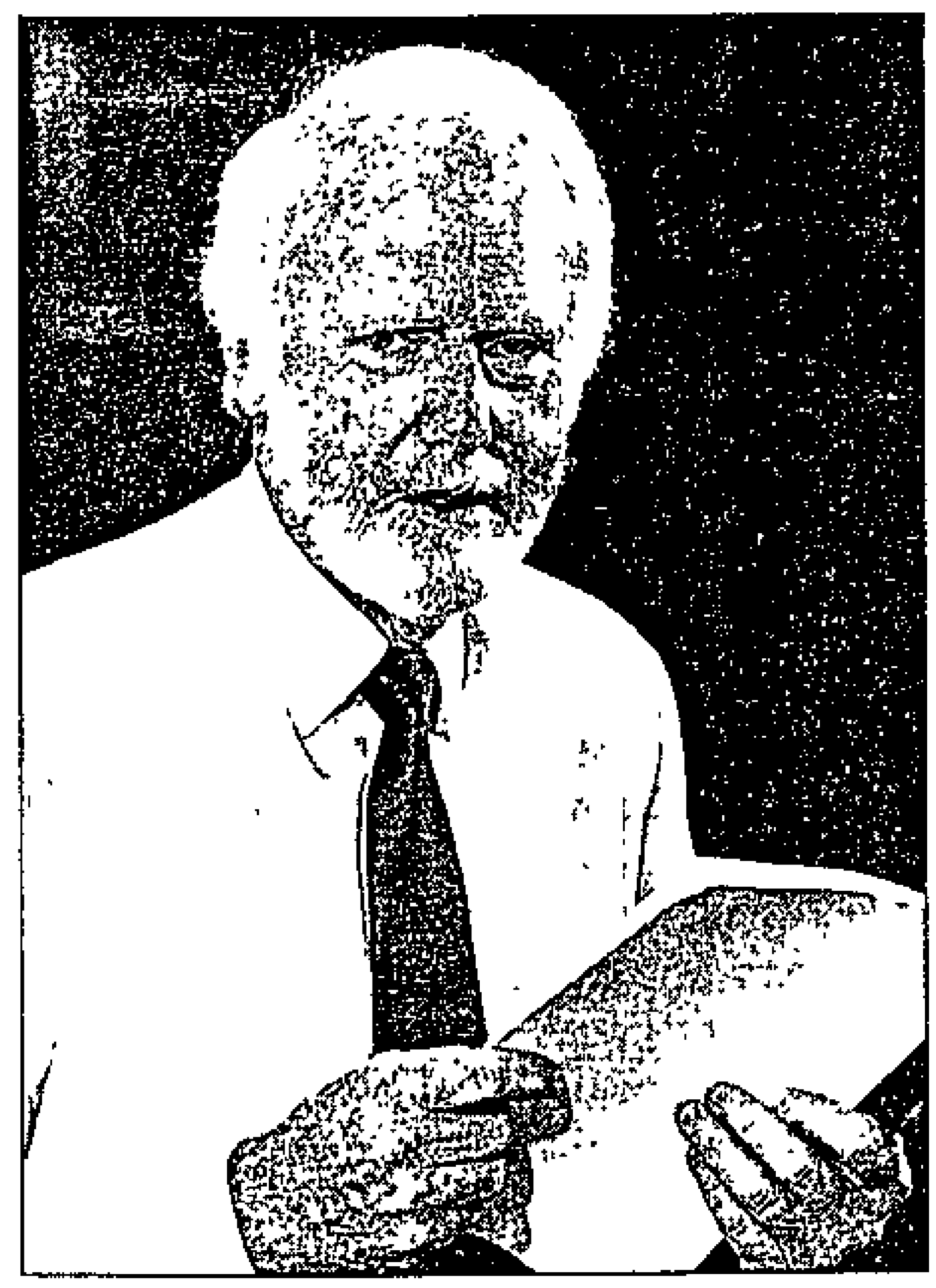
CJP's housing stock plan will require Ichut to raise R50m over five years, which should unlock around R200m of mortgage finance for use in inner city housing projects. Significant work has already been done in raising the R50m. Ichut has obtained a commitment in principle from one overseas financier, US Aid. The trust aims to raise 25% of the R50m from overseas grants.

It is also negotiating with other sources such as the Independent Development Trust (IDT) and banks and life offices — targeted to provide a further 25% of the required amount. A major tranche, 35%, is destined to come from business in the form of soft loans and the balance from the Johannesburg City Council.

Action has been taken to make inner-city housing more affordable. Ichut has approached the council over the rating of buildings for electricity, water and assessment rates. If an apartment building has even one retailer now, the entire building is considered commercial. In effect, this means that all residents in such mixed-use buildings must pay the commercial 22c/kW hour, instead of the domestic 12c/kW hour for electricity; R2,40/k*l* for water in excess of 20 k*l*, instead of the flat R1,31/k*l* charged to residential users; and residents in such buildings must forgo any kind of rates rebate because the property is deemed commercial.

Houses in the suburbs are entitled to a 55% rebate; townhouses and flats can claim a 35% rebate.

The other stumbling block in the affordability question is subsidisation — either through government or the IDT. Currently, both these subsidies are available only to individuals. Government's first-time homeowners' subsidy pays a third of the interest on a mortgage bond for a set period within the limits of the scheme. The IDT provides a once-off capital subsidy of R7 500. The CJP proposes subsidies be granted to a collective owner.



CJP executive director Neil Fraser ... *building the foundations*

The Seven Buildings Project in Hillbrow/Joubert Park is expected to set a precedent in subsidies as well as Ichut's mortgage collateral mechanism and co-operative ownership proposals.

Organisers of the scheme — a joint venture between residents and the developer chosen to upgrade the buildings, New Housing Company (Newhco) — are proposing a group ownership structure through a shareblock company controlled by future owners. Ways are being sought to adapt the existing subsidy policies to this new form of collective ownership.

Mortgage finance is being sought from financial institutions through a proposed bulk loan covering all 460 units in the scheme. This loan will be serviced within the proposed shareblock company by a group credit mechanism guaranteed by Ichut.

The present owner of the seven buildings, David Gorfil, has agreed in principle to sell them to the proposed shareblock company for R5,9m. The sale is conditional on the provision of mortgage finance The joint venture is now undertaking a detailed feasibility study, to be completed in 12 weeks, which will be submitted to a consortium of financial institutions.

Newhco's Taffy Adler, project manager for the Seven Buildings Project, though not underestimating the hurdles still to cleared, is optimistic the institutions will come through — thanks largely to Ichut's funding mechanism.

Meanwhile Newhco's regional division, FHA Homes, is looking at a number of other buildings in the CBD with a view to upgrading or converting them.

But it is not easy to convert office blocks to apartments. Hence FHA also looked at using older hotels in the CBD and Berea for long-term residences.

There appears to be no shortage of owners ready to sell, especially east of Johannesburg. Next week, for instance, CJP is set to receive 12 proposals from various landlords. ■

PROPERTY MANAGEMENT

Investec sells out

FM 26/2/93

In an eleventh hour twist, Investec Property Group (IPG) has sold its residential management division — handling residential rental buildings and sectional title flats in the Johannesburg area — to the Landsec-Compeg Services Group.

IPG had intended to close its building management division on March 31. The sale was made last Friday — the day on which it was announced to the press that the division would be closing.

The move is significant as IPG subsidiary, Kupers, has long been one of the largest residential management companies in Johannesburg. Its dominant position was stregthened by its acquisiton of Gradwells Real Estate Management in January 1992.

IPG's exit from the business, according to chairman David Kuper, is because "it no longer falls within the market focus of the group. It was also no longer profitable."

Kuper says Investec has become increasingly focused on its core business of commercial, retail and industrial property management and administration, as well as on trading, development and letting in the non-residential sectors.

He adds that its growing non-residential activity is demanding more management time and has made it uneconomical for a group of its size to continue with residential property management. IPG manages 351 residential buildings.

The Landsec-Compeg Services Group, owned by Ivan Hellmann, comprises two companies. Landsec (short for Land Securities Management), concentrates on property management and administration in the rental area, while Compeg Services deals with sectional title administration. IPG's portfolio will be absorbed into these two companies.

The sale does not affect Bedford Gardens Estates — the massive R90m, 10-apartment

continued →

Bank may act on money shortage

BIDAY 26/2/93

(58)

TIM MARSLAND

THE Reserve Bank was likely to inject liquidity into the money market today to aid cash-strapped banks because of the high daily shortage, market sources said yesterday.

The shortage is expected to reach R5bn today compared with yesterday's R4,3bn and its recent steady R3,5bn.

The shortage reflects the amount of money banks have borrowed from the Bank which normally rises towards the end of the month.

A Bank spokesman said the Bank might issue repurchase agreements to ease the banks' positions.

The repurchase agreement will probably be done by the Corporation for Public Deposits (CPD), which is managed by the Bank.

The agreements means that the Bank, through the CPD, offers to buy back specified paper assets from banks in order to help them over the liquidity hurdle.

The pressure should ease next week as R1,5bn in interest payments on government's mega-capital market issues are paid into the market.

Normally, tax payments would offset this, but the spokesman said there was a mismatch between the two.

The Land Bank will also repay its R1,1bn LB99 loan which matures on Monday. The money will come from the R2,4bn in drought aid it received from government. The rest of the R1,3bn will flow into the market during March.

The Bank spokesman said the increased liquidity in March would give the Bank room to play with. He said the high shortage was also to do with the pressure on the Bank's gold and foreign exchange reserves.

The Bank had bought short-term assets which would mature during the month and it would use these to keep the shortage under control.

A senior money market dealer said the inflows during March would help short-term interest rates, which were being pushed higher because of the increased shortage. Overnight call rates had risen to about 11,50% from 11,00% earlier in the month.

He said the added liquidity would push rates back to the 11% level.

Homeowners defiant in face of recession

BDAM 26/2/93 PETER GALLI (58)

HOMEOWNERS are still raising second bonds on their properties to maintain their standard of living as the economic recession continues to bite, latest figures released by the Deeds Office show.

The number of property transfers — including commercial, industrial and agricultural property — grew 4,4% to 286 820 last year from 274 746 in 1991.

However, 333 596 bonds were registered last year, 16,3% higher than the 286 820 property transfers for the same period. Rodney Hayter, editor of The Estate Agent, said it appeared the differential was almost completely made up of second bonds.

"This figure is also only fractionally higher than the 15,9% differential between bond and transfer registrations in 1991," he said.

Regional figures show that property buying activity in Johannesburg took a dive last year as 58,3% fewer new bonds at 115 000 were registered, compared with 197 000 in 1991. Transvaal registrations fell 7% to 157 000 from 168 000.

Only two areas saw positive growth in bond registrations. Natal showed the largest increase, 24,5% at 208 000 from 167 000 previously.

The Cape also posted a 13,4% rise to 160 000 from 141 000 in 1991.

The poor state of the economy was also reflected in the number of interdicts, caveats, sequestrations, liquidations and attachments registered with the Deeds Office. These rose 10,1% to 132 134 last year from 120 013 the year before.

The move towards the security offered by sectional title units was evident in the number of title deeds issued by the Deeds Office. These soared 41,2% to 35 228 in 1992 over the 24 942 registered in 1991, while sectional title plans rose 31,2%.

Agreement on bond repayments

Blday 26/2/93.

(58)

WILSON ZWANE

THE Association of Mortgage Lenders and the SA National Civic Organisation (Sanco) have reached an agreement in areas of bond repayment insurance, repossessed properties, education of home buyers and payment of arrears.

Sources said the agreement, reached after a meeting in Johannesburg yesterday, would be referred to the two parties' constituencies for ratification.

Sanco president Moses Mayekiso would not comment on the agreement. He said, however, that the negotiations were positive and he saw no reason why the agreement should not be ratified by the constituencies.

Mayekiso disclosed that he had told the association in exchange for his organisation's "signature endorsing its constitutency's involvement in the sorting out of bond repayment problems", Sanco wanted certain issues addressed as a matter of urgency.

Issues included "redlining" in terms of which certain areas were prejudiced, banking services in the townships, the banks' offshore investments and a code of conduct for the building industry which would ensure houses were built properly.

Mayekiso said Sanco believed more understanding and trust in the banking system would be inspired by the banks' willingness to broaden the scope of negotiations to include Sanco's concerns.

Social investment 'long-term benefit'

BDAY 26/2/93. (58) ([redacted])

ANDREW KRUMM

SA BANKS and other financial institutions should invest a portion of their portfolios in socially responsible investments now — or face investment prescription by a new SA government later.

This was one of the conclusions of a panel discussion yesterday between local trade union and financial institutions' representatives and two US experts on socially responsible investment.

The discussion was held on a satellite link-up at the US Information Service offices in Johannesburg and Cape Town.

According to Interfaith Centre for Corporate Responsibility director Tim Smith, willingly placing a portion of their assets in socially responsible investments was in the long-term interest of both financial institutions and country. Not to invest willingly was to continue "economic apartheid".

Another US panel member, Agricultural Development Corporation vice-president Joshua Walton, added the returns available in social investments were not necessarily lower than those available in other financial markets. The perception that returns were minimal had to be dismissed.

However, responsible investment should be accompanied by certain incentives such as tax breaks and guarantee mechanisms.

SA Development Bank GM Nick Christodolou pointed out "development asssistance" was not just a question of investment in housing. It had to include provision for creative mechanisms such as "equity funds" to be used as start up capital for the existing pool of black entrepreneurs.

Walton said practices such as "red-lining" — where banks refuse to lend into poorer areas for fear of default on loans — would have to be discouraged.

There was a movement against red-lining in the US, especially where it was realised that the bank's depositors were often people from "red-lined" areas.

Banks had to be held accountable by depositors who could lobby for such mechanisms as "micro-lending", he said.

Smith said once all SA organisations called for the demise of sanctions, the response to drop those measures prohibiting trade and investment in SA would be quick. However, the next phase — to get US corporations thinking of investing responsibly in SA — would be difficult.

Interest charges blight TransAtlantic's profit

BIDA 7 26/2/93

JOHN CAVILL 58

LONDON — A rise of nearly 400% in interest charges blighted the profit of TransAtlantic Holdings, the UK property insurance group 54% owned by Liberty Life.

The first full year figures for the group since it was listed in London and acquired 50% of Sun Life insurance (in partnership with the French Union des Assurances de Paris) are not comparable with 1991. TransAtlantic then held only 27,7% of Sun Life and 83% of property group Capital and Counties (Capco), which became wholly owned last year.

Chairman Donald Gordon said there were now "definite signs of improvement" for companies which had survived the "property debacle" left by the speculative boom of the 80s.

Insurance was also showing signs of recovery but escalating costs needed to be cut and "unsustainably high and over-competitive policyholder bonuses" declared during the previous decade could have "adverse implications" if, as probable, equity markets capital growth slowed.

Yesterday's report showed TransAtlantic lifted gross property profit by £10m to £59,7m while Sun Life contributed £36,7m (£18,7m) to produce a pre-interest surplus of £96,4m — 41% up on 1991.

But net interest payable jumped from £7,4m to £35,7m — chiefly because of a fall in the mount of interest capitalised into the value of property projects. Pre-tax profit emerged £500 000 lower at £60,7m. After tax and minority interests, net equity earnings showed a 4,4% increase to £35,7m.

The impact of last year's £149m rights issue and acquisition of 100% of Capco meant that a marginally higher dividend (up 4,8%) of 12p a share cost £45m against £28m in 1991. This left net earnings a share 32% down at 9,9p.

Sun Life, said Gordon, had defended its new premium income successfully after 1991's "exceptional increase". It totalled £1,49bn against £1,5bn in the previous year and net profit after tax rose nearly 9% to £46,7m.

Insurance 'too costly'

BDAY 26/2/93

DIRK VAN EEDEN

ARMED attacks on cash-carrying security vehicles are pushing insurance premiums out of reach of security companies which may have to seek other means of covering their business, industry sources say.

Fidelity Guards financial director Colin Fourie said the amounts involved and the number of robbery attempts put the insurance of security transporters "out of the league of SA brokers".

Between five and 10 robbery attempts were made on Fidelity Guards vans every month.

In the past most security companies had been underwritten by Lloyd's of London, but with Lloyd's under pressure after a year of huge payouts, reinsurance this year had been more difficult and at much higher premiums.

58

Coin Security considered giving clients the option to get their own insurance, said MD Yvonne Bishop. This should be cheaper as clients could include money-in-transport in their overall insurance packages and thus bargain for lower premiums than the transporters could get.

Fidelity Guards has implemented this policy.

Downturn hurts Pangbourne (58)

BDAY 26/2/93

PETER GALLI

PANGBOURNE Property has posted a 16% drop in dividend and debenture interest payments to 31c a unit in the six months to end-December from 37,62c in the same period in 1991.

The drop in payments comes on an increased number of units in issue.

Earnings fell 19% to 31,72c (38c) a unit. Turnover fell 2% to R21,27m (R21,65m).

New chairman Atholl Campbell said: "The results reflect the downturn in the economy and the property market, but we managed to contain vacancies at 7,2% although this was slightly up on the 6,3% in the period to end-June 1992."

However, recent lettings in the industrial portfolio had seen overall vacancies at the end of February fall to 5,4%.

Interest received rose 25% to R5,08m (R4,05m) as the group had raised cash for additional property investments by issuing shares and some of this had been held over the period under review. Debenture interest paid fell by 5% to R18,35m (R19,63m), while pre-tax income was 44,6% up at R865 000 (R598 000). After tax of R62 000, net income of R803 000 (R596 000) was declared.

An extraordinary item of R2,14m for profits from the sale of four of its buildings — which was transferred to the non-distributable reserve — pushed net income to R2,94m (R1,09m). Dividends of R367 000 (R392 000) were declared.

This left R436 000 (R204 000) as retained income. Campbell predicted a better present six months.

MITED

1 DECEMBER 1992

p balance sheet

	1992 Rm	1991 Rm
mium	895,8	895,8
	152,6	514,1
	165,0	139,6

Insurer optimistic about prospects

B/DAY 26/2/93 (58)

ANDREW KRUMM

INSURER Commercial Union (CU) has reported a 50% jump in earnings a share to 735,2c in the year to end-December 1992 from 488,4c a share in 1991.

The insurance group has declared a sharply higher dividend of 200c a share, against 142c the previous year.

Group MD John Kinvig said yesterday group gross premium income had passed the R1bn mark for the first time, rising to R1,017bn from R887,1m in 1991.

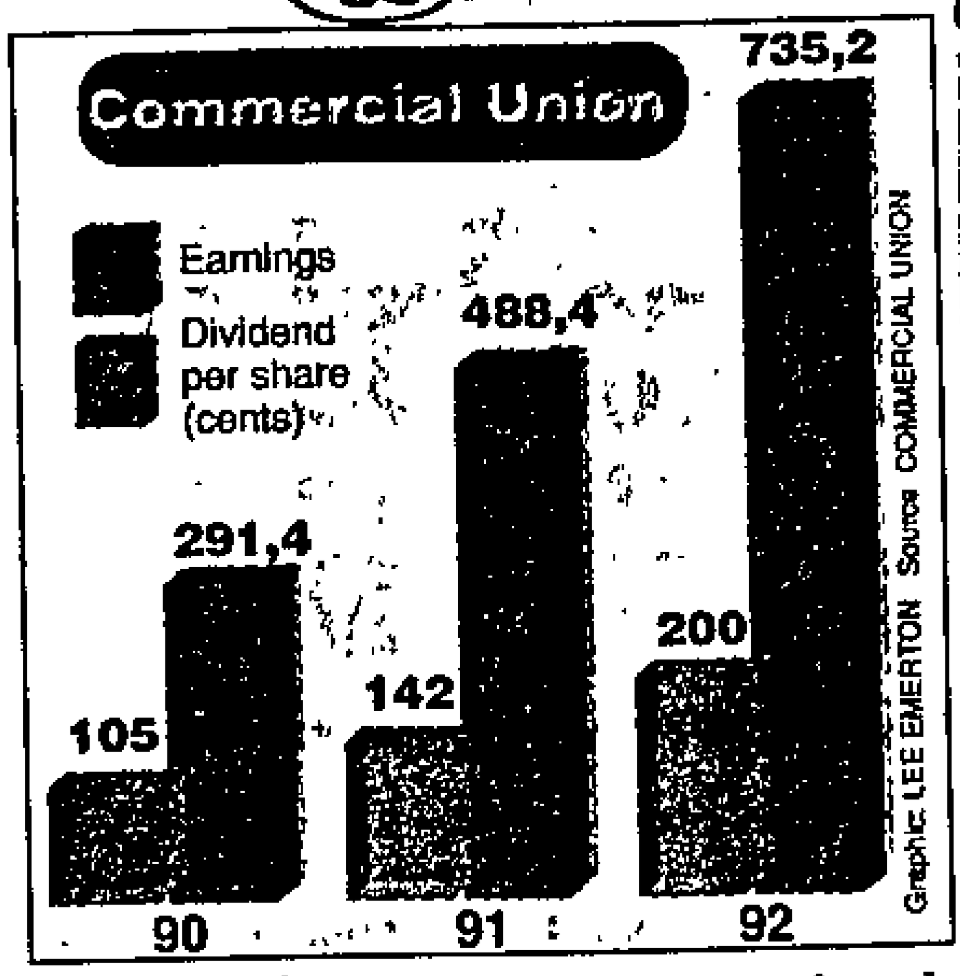
"The results reflect extremely well on the efforts of both companies — especially CU Life — given the arduous times in which we are operating."

On prospects for the year ahead Kinvig said "bearing in mind that 1992 produced an oustanding underwriting surplus, it should be remembered that short term results can be volatile".

CU Insurance prospects would depend to a large extent on escalation in the crime rate, and whether the company was involved in any adverse weather or natural catastrophe claims. Although optimistic about "continued good results" for the new CU Life operation, Kinvig declined to make specific predictions as to earnings and dividends in the year ahead.

CU Insurance had produced a "most satisfactory" trading result, pushing its underwriting surplus to R29,5m in 1992 from R5,3m in 1991.

"The result is largely due to the continued implementation of sound underwriting principles and the absence of major weather losses during the year."



Another positive feature was the absence of further escalation in the already high crime rate.

"Net written premiums increased by 9,7% over 1991, which is reasonable when taking into account the effect of the imposition of VAT which had to be absorbed in premium rates in the first nine months of the year."

Considering the business climate, CU Life had had a good year with new life and employee benefits premiums rising to R241,5m before reassurance — which was up 23% on 1991, he said. The life company had generated R461,8m in total gross premium income and R226,4m in investment income during 1992.

"The result of the activities of CU Life is a R11,7m net taxed surplus attributable to shareholders. A net income of R73,5m (1991: R48,8m), excluding an extraordinary item of R40,8m, was achieved."

More Third Party bungling costs taxpayers extra millions

58

ARG 26/2/93

The Argus Correspondent

JOHANNESBURG. — Taxpayers have had to fork out millions more to offset more mismanagement and negligence in the already bankrupt Multilateral Motor Vehicle Accidents Fund (MMF).

The MMF found after the insolvent President Insurance company's affairs were wound up in November that it did not have a surety in place as determined by the Third Party Claims Agreement. The surety had lapsed last April and the MMF's failure to spot this means the loss of vast amounts of money.

But to compound matters, the MMF tried to deal directly with 6 500 unsettled President-assigned claims — some more than 10 years old — and is now being taken to court for acting illegally.

All this means more bad news for the Department of Transport, which administers the MMF. Earlier this month allegations of massive corruption and bribery were revealed in the department.

The MMF, already R3-billion in the red, appointed 34 additional personnel to try to settle the claims it had to take back from President.

But the Association of Law Societies yesterday said in a statement that it was illegal for the MMF to settle claims.

The society said this would lead to both an escalation in costs and a delay in settling claims.

MVA 'has disregarded commission'

(58)

CT 26/2/93

PRETORIA. — The Association of Law Societies of South Africa (ALS) has expressed concern about the Multilateral Vehicle Accident Fund's apparent rejection of the Melamet Commission's recommendations on the handling of motor vehicle accident claims.

Apparently disregarding the commission's recommendations, the MVA's acting director, Mr Willem Swanepoel, had stated the MVA would not only retain so-called hit-and-run claims but would also take over 25% of private agent's claims, the ALS said in a statement yesterday.

The appointment by the MVA of another 34 employees indicated that this body meant to implement its planned system.

The ALS insisted on an immediate explanation by both the Minister of Transport and the MVA. — Sapa

A million people are participating

Sowetan 26/2/93

~~27~~ (29) ~~232~~ (58)

Mzimkulu Malunga

■ **Despite ~~uncertainties on~~ the stock ~~markets in~~ South Africa, unit trusts are growing at a pace faster than the inflation rate:**

MORE than a million people in this country are currently participating in the share market through unit trusts.

Much as this figure may appear substantial to many people, it is still a drop in the ocean in a country inhabited by about 40 million people.

Despite current political uncertainties that are putting pressure on the stock markets, unit trusts are still growing at a pace higher than the inflation rate.

One does not need to be well-off financially to invest in unit trusts.

Some funds, as unit trusts are sometimes called, need as little as R50 a month.

Experts say prospective investors can use lower share prices at the stock exchange to their advantage by buying units when the prices are still down.

Reap higher yields

This, they say, will enable them to reap higher yields once the economy starts picking up.

There is also a system called switching funds. This enables investors to minimise the risk by changing to safer types of unit trust during downswings.

An investor can switch from a general equity fund to an income fund - which has nominal market fluctuations. Switching funds costs an investor much less than pulling out completely when prices go down.

UNIT TRUSTS SUPPLEMENT

Units you can trust

Sowetan 26/2/93. (58)

IVORY TOWERS Few blacks go beyond banks and building societies:

By Mzimkulu Malunga

TO MANY BLACKS, places such as the Johannesburg Stock Exchange are ivory towers of the rich, the elite and the powerful.

While many people have the urge to invest whatever little resources they have, very few ever go beyond banks and building societies.

Even then, few ever explore investment possibilities other than savings accounts, fixed deposits and current accounts.

But through unit trusts, an investor can find himself directly participating in the share market on the JSE.

A unit trust is a pool of money generated by individuals. This is in turn invested into collective resources in various companies listed on the stock exchange.

Unit prices rise and fall in line with the fluctuation of share prices of the companies in which the money has been invested.

The price of a unit is calculated according to the underlying value of all shares held in the unit trust.

Contrary to buying shares directly from a particular company, where the risk is heightened by the ups and downs of share prices, unit trusts minimise the risk by spreading the money across a wide range of companies.

If one share performs poorly, the investment is likely to be safeguarded by other shares in the pool.

The money and the shares are administered by a unit trust company employing people highly schooled in the dynamics of financial management.

Unit trusts have always yielded returns above the inflation rate.

Due to market fluctuations, prospective investors are encouraged not to withdraw their money for a minimum period of about five years after which ups and downs of the market place would have stabilised.

However, it is important to note that unit trusts are not a substitute for a savings account. A prospective investor must have enough savings to cover emergencies.

Experts say unit trusts should be seen as a supplementary form of investment rather than anything else.

They are, the experts say, medium to long-term types of saving.

Mr Clive Turner

Boom in unit trust industry

■ First unit trust in SA launched in 1965: (58)

ALTHOUGH the unit trust investment mechanism has been practised in the industrialised countries since the 19th century, it is still a new phenomenon in South Africa.

The first ~~unit~~ trust in South Africa was launched in 1965 with total assets valued at R600 000.

This move followed the enactment by Parliament of the Unit Trust Control Act.

Two years later the Association of Unit Trusts was formed to assist both management companies and unit holders in dealing with the authorities.

Currently there were 46 unit trusts, managed by more than 20 companies with assets valued at R11,4 billion. Sowetan

The same year, five new unit trusts were launched.

The number of unit holder accounts rose from 735 000 to 938 000.

"The creation of the unit trusts advisory committee in 1991 was of even more direct significance to our industry," said AUT's outgoing chairman Mr Clive Turner. 26/2/93.

The committee was appointed to review the austerities of the Act.

Many believe 1991 was the year which saw a record time boom in the history of the sector.

"It is imperative that our industry does all in its power to maintain its reputation for sound management within the framework of a tried and tested but nevertheless dynamic regulatory system," Turner said.

Friday February 26 1993 SOWETAN

PROPERTY Seller can achieve quicker sale

Making life easy for home buyers

Sowetan 26/2/93.

(58) (123)

By Joe Mdhlela

DIFFICULT TIMES Innovative (339) method delays transfer of property:

THE increased difficulties which prospective home buyers are faced with in getting finance have made innovative sales packages necessary, Camdon group managing director Mr Scott McRae said this week.

Among these was the contract of sale. This method of sale delays the transfer of a property until the buyer can afford a full deposit.

McRae said this method should be considered in the present market. Both the buyer and seller would benefit from the contract of sale. "The seller should achieve a higher price and a quicker sale than normal at a time of high interest rates, the terms of the sale making it easier for the buyer to finance the purchase. The buyer does not have to pay the full deposit. The difference is deferred," he said.

McRae said under this law the seller was protected. "He may repossess by default and retain any monies paid."

Added to that the seller had access to the deposit after a sale had been recorded. This normally takes four weeks, he said. And there was a distinct advantage for the buyer.

"He may find the deposit is negotiable and may be far less than is normally required."

The interest and monthly payments are also negotiable with the interest below the current building society rates.

"There is no need to qualify for a bond, no immediate bond registration costs and no immediate transfer costs," he said.

FM 26/2/93 (58)

FAIRCAPE FM 26/2/93

Smaller and wiser (58)

Activities: *Property development.*
Control: *Propcor 53%.*
MD: *M J Vietri.*
Capital structure: *9m ords. Market capitalisation: R900 000.*
Share market: *Price: 10c. 12-month high, 10c; low, 6c. Trading volume last quarter, 2,3m shares.*

Year to June 30	**'88†**	**'89†**	**'90†**	**'92***
ST debt (Rm)	17,0	11,7	17,9	4,8
LT debt (Rm)	4,0	6,3	4,7	—
Debt:equity ratio	3,1	1,5	3,8	11,4
Shareholders' interest	0,18	0,32	0,17	0,05
Int & leasing cover	7,0	5,4	nil	nil
Return on cap (%)	16,9	5,4	nil	1,1
Turnover (Rm)	32,9	45,3	35,0	47,6
Pre-int profit (Rm)	6,1	2,0	(7,4)	(0,9)
Pre-int margin (%)	18,6	4,4	nil	1,8
Earnings (c)	30,3	33,3	(73,5)	(53,8)
Dividends (c)	10	12	nil	nil
Net worth (c)	75,8	128,0	63,4	4,6

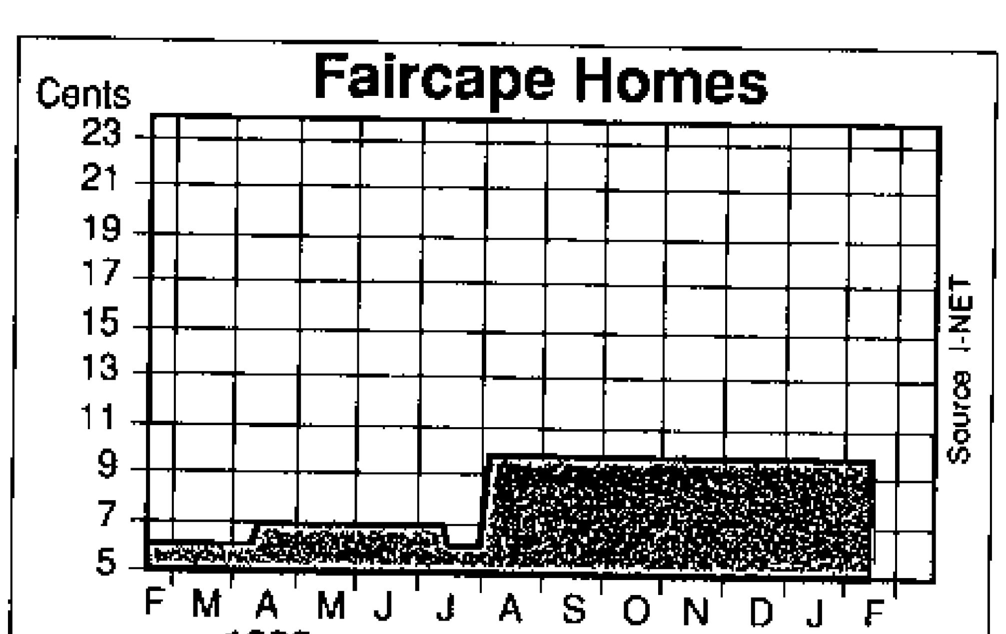
* 18-month trading period. † Year to December 30

Three years ago, Faircape had shareholders' funds of R11,7m. By June 30, these had shrunk to R418 000. No single factor caused the losses, but what contributed most to the company's downfall was its high gearing when the property market turned bearish at the end of the Eighties.

Other important factors were the bond and rent boycotts in the black market and the consequent buy-backs forced on Faircape.

At December 31 1991, debt:equity was about 4,0. Faircape's directors argued in the past that analysts who criticised the excessive gearing were being unfair. They claimed critics were not giving credit for sales which had been made and lodged in conveyancers' offices, but — because transfer had not yet taken place — the cash flow had not yet been brought to account. That, the directors claimed, was a major reason for the high gearing.

It was little more than an excuse. During the 18-month trading period, much of the outstanding debt was surrendered. This was not done through skilful trading, but by shrinking the company — largely by selling assets and curbing working capital, particularly contracts in progress and debtors.



The cash flow statement shows cash generated by operating activities of R22m. The R17m remaining after interest payments was used to repay long-term liabilities (R4m), short-term loans (R10m) and overdraft (R3m).

Chairman Mike Vietri says that, though "there are still some albatrosses around," cash flow is positive and profits are expected this year. All the debt is now short-term and being used to finance smaller housing projects at the bottom end of the market.

An encouraging development is the turnaround in pre-interest profit. There was a time when Faircape was a successful operating company. After the lessons of the past three years, Vietri is a more mature player in the property market and could make a comeback when it turns.

Gerald Hirshon

PROPERTY MANAGEMENT (58)

Investec sells out

FM 26/2/93

In an eleventh hour twist, Investec Property Group (IPG) has sold its residential management division — handling residential rental buildings and sectional title flats in the Johannesburg area — to the Landsec-Compeg Services Group.

IPG had intended to close its building management division on March 31. The sale was made last Friday — the day on which it was announced to the press that the division would be closing.

The move is significant as IPG subsidiary, Kupers, has long been one of the largest residential management companies in Johannesburg. Its dominant position was stregthened by its acquisiton of Gradwells Real Estate Management in January 1992.

IPG's exit from the business, according to chairman David Kuper, is because "it no longer falls within the market focus of the group. It was also no longer profitable."

Kuper says Investec has become increasingly focused on its core business of commercial, retail and industrial property management and administration, as well as on trading, development and letting in the non-residential sectors.

He adds that its growing non-residential activity is demanding more management time and has made it uneconomical for a group of its size to continue with residential property management. IPG manages 351 residential buildings.

The Landsec-Compeg Services Group, owned by Ivan Hellmann, comprises two companies. Landsec (short for Land Securities Management), concentrates on property management and administration in the rental area, while Compeg Services deals with sectional title administration. IPG's portfolio will be absorbed into these two companies.

The sale does not affect Bedford Gardens Estates — the massive R90m, 10-apartment

continued →

PROPERTY FM 26/2/93

(58)

block project where IPG, as a major investor, is selling on sectional title the remaining 200 apartments out of an original 964. It is also providing management services to those investors who require it.

IPG MD Sam Hackner says: "We have always had a separate, dedicated team assigned to the sale and management of Bedford Gardens Estate. The project was never part of our mainstream residential management business and is handled independently." ■

FINANCIAL SERVICES (58)

All in the Act

FM 26/2/93.

Mr Justice David Melamet, chairman of the Financial Services Board, hopes to report by end-March on whether one set of overriding legislation should be applied to all financial services. Implicit in the study is a proposal to put debenture issues under the control of a new superboard with a view to preventing repeats of the Masterbond and Supreme disasters.

Melamet emphasises he is looking at feasibility only. But it is known that government would like to make some decisions during this parliamentary year. Melamet called a meeting at short notice this month of those likely to be affected and there was near unanimity that the comprehensive approach, outlined by the Jacobs Committee late last year, formed a basis for a legislative overhaul.

Meanwhile, says Melamet, he has a study group, which should report this week, looking at how much legislation will need amendment if all players are to fall under a proposed Financial Services Act. At least six Acts could be affected.

Those who turned out for Melamet's workshop included representatives of banks, life offices, nonlife assurers, consumer organisations, the Institute of Chartered Accountants, Actuarial Society, Association of Unit Trusts, JSE and the SA Insurance Brokers' Association. The Institute of Retirement Funds says it was not invited. The Standing Committee on Company Law, which had been asked by Jacobs to take an urgent look at how the public can be protected against dubious debenture issues, was present. The Registrar of Companies sent an observer.

In his initial report, Jacobs recommended

FM 26/2/93 (58)

that the controls on intermediaries selling commercial paper should be reviewed, noting that insufficient protection existed for the general public buying investments offered in terms of the Companies Act. Post-Jacobs, there have been suggestions that the Companies Office itself should be brought into the approach — which would imply operating under the proposed Financial Services Act. Melamet says this part of the discussion is not yet crystallised.

The structure proposed by Jacobs starts with a Financial Services Act, which would establish:

- ☐ A Financial Regulation Policy Board;
- ☐ An Appeal Board; and
- ☐ The various existing technical and advisory committees.

Also part of the structure will be the regulators, specifically the Registrar of Deposit-Taking Institutions and the Financial Services Board.

While the DTI registrar would be responsible for banks and building societies, the FSB would regulate a mixed bag: long- and short-term insurers, retirement funds, friendly societies, portfolio managers including stockbrokers, financial instrument traders, trust companies, participation bond managers, unit trusts, financial and money brokers, insurance brokers and anyone active in commercial paper and debentures.

So there is to be a clear separation between policy and regulation. Also, it was acknowledged at the workshop that self-regulatory disciplines operating among insurers and brokers should be maintained or incorporated. There was little discussion of policy or philosophy but considerable attention was given to the problem of structures and slotting suitably qualified people into the policy board. Finding the right people, it was felt, would not be simple.

Tony Norton, as director-general of the Council of Southern African Banks (Cosab), was the facilitator at Melamet's workshop. Because he has shown himself even-handed in respecting the roles of all financial service organisations, he had been talked of as a possible chairman for the Financial Regulation Policy Board. This week's announcement that Norton is joining stockbroker Fergusson Bros ends that speculation.

Bryan Deans

Fair-weather year for CU

STAR 26/2/93.

By Sven Lünsche (58)

Composite insurer Commercial Union reflects the current healthy state of the short-term insurance industry by reporting a sharp surge in its underwriting surplus to R29,5 million last year from R5,3 million in 1991.

CU ascribes the good results to the continued implementation of sound underwriting principles and the absence during the year of major weather-related losses.

"A further positive feature was the absence of any further escalation of the crime rate, which nevertheless remained at high levels," the directors say.

Gross premium income rose by R130 million to R1,02 billion, while net premium income improved to R829,8 million (R713,1 million).

CU's life arm showed good growth with a taxed surplus of R11,7 million over the year on a 23 percent rise in new life and employee benefits premiums to R241,5 million. Total 1992 gross premium income was R461,8 million.

The strong premium income growth for both the short- and long-term arm of CU was reflected in healthy financial results.

Net income before tax was up from R58,9 million to R93,6 million, while profit before extraordinary items surged to R73,5 million (R48,8 million).

Earnings per share rose to 735,2c from 488,4c in 1991, while the total dividend is up 41 percent to 200c (142c).

SYNDICATIONS FM 26/12/93 (58)

A legal opportunity (ID)

Two Cape Town properties are being offered independently for syndication. The larger is Huguenot Chambers, recently purchased by Investec Property Group from Sanlam Properties.

It is said to be IPG's biggest syndication to date. Commonly referred to as Advocates Chambers, the Gardens-facing property houses many of Cape Town's advocates, including the headquarters of the Bar Council. It takes up most of the offices. The remainder is occupied by tenants associated with the legal profession and ground level retail space.

The building is adjacent to the Attorney-General's offices and in the same block as the Supreme Court. It also has four floors of parking in a ratio of two bays per 100 m² on four parking levels. It will be offered for R20m at an entry price of R10 000.

IPG Cape director Julian Leibman says: "We're looking at an initial yield on the investment of about 9%, with an internal rate of return over five years of about 19,5%."

The 8 659 m² building also has rights to extra bulk, which IPG is investigating. Even without extra construction to provide 1 500 m²-2 400 m² of new lettable area, IPG plans to spend more than R1m on upgrading the building's exterior, foyer, lifts, security system, air conditioning and electrical plant.

Says Leibman: "First option on the investment will be given to the tenants who traditionally rented offices in the building. Those who acquire part of the initial syndication will also be given first option to participate in the enhanced syndication should extensions prove financially viable."

In the second syndication, Seeff Trust hopes to raise R15,7m by syndicating the Sanso Centre in the CBD. MD Michael Flax says the initial yield will be 9,6% and average rent escalation 12%, excluding turnover clauses. A total of 1 570 units of R10 000 each will be sold.

The bond-free building is fully let. Ground floor tenants are Clicks, Furniture City and Markhams. Office tenants include M-Net, Price Forbes, SA Eagle and Shell.

Flax says some of the current rentals are "very low" and have strong potential for increases once leases are reviewed. The Clicks and Markhams leases are subject to turnover clauses. ■

Mr Willem Basson of Old Mutual

Educate your child with ease

Sowetan 26/2/93. (58)

■ In 10 years' time, a B Comm degree will cost more than R175 000:

By Mzimkulu Malunga

AS subsidies on tertiary institutions continue to dry up, sending a child to university or technikon is getting out of the reach for many families.

But calculative savings could reduce the burden.

Various financial institutions sell unit trusts which are aimed at assisting parents to cope with their children's future education requirements.

"It does not help if a person invests money without a particular purpose. We feel that education is one the crucial issues in any society, hence we initiated the education trust," says Old Mutual Unit Trusts production manager Mr Willem Basson.

Education trusts operate the same way as other forms of unit trusts.

Yield substantial sums

The investment is spread across a variety of companies whose returns yield substantial sums of money.

The money is then shared among unit trust holders in accordance with the number of units an individual investor has.

Though they are regarded as medium to long-term investment ventures, money invested in unit trusts is relatively accessible.

An investor can withdraw a required amount, perhaps for education purposes, when the need arises, leaving behind the rest.

It is, however, advisable to invest the money for a period of about five years to allow market fluctuations at the stock exchange to stabilise.

A minimum lump sum investment that can be made into an education trust is R500. This can be followed by monthly savings of R50.

Increase the monthly contributions

This, however, varies from one company to another.

The investor can increase the monthly contributions anytime, depending on his capabilities.

While there is a desperate shortage of skills in the country, acquiring them has become an expensive exercise, even for the well-off families.

Five years ago, tuition fees for a B Com degree was about R3 000. This increased to R7 000 in 1992.

If boarding fees and other expenses are included, a B Com degree costs an average of R33 500.

In 10 years time, the same degree will cost about R175 500.

Estimates suggest that parents of a child who enters school this year will have to pay more than R300 000 in fees by the time the child goes to university

The cost of tertiary education is increasing at a rate higher than inflation, so it is wise to strengthen your financial capacity now.

Absa's missing millions mount up

W/Mail 26/2 - 4/3/93. (58)

Bob Aldworth's alleged misappropriation of R400 000 is just the tip of the iceberg of fraud and theft at Absa. The latest is a R18-million scam involving Krugerrands.

REG RUMNEY *reports*

CONTROVERSY-HIT Amalgamated Banks of South Africa (Absa) suffered an R18-million fraud and theft late last year.

And sources in the bank say millions more cases of potential fraud may yet come to light, but are still under internal investigation by the bank.

Absa spokesman Jan Snyman confirmed that a court case about the theft late last year had been postponed for further investigation and he believed a fourth suspect had been arrested.

He said R1,4-million in cash and 231 gold coins worth about R1 000 each had been recovered, and Absa was in the process of recovering houses, vacant land, motor vehicles and other goods in compensation.

He would not give further details. Asked whether other frauds involving sums as large or even larger were being investigated, he said: "I don't know of any."

The disclosure that police investigations into the R18-million theft are drawing to a close comes hard on the heels of allegations by disgraced former director Bob Aldworth from London that Absa faces further big losses from bad debt.

Police yesterday said they were on the point of arresting the last of the suspected criminals involved in the R18-million Krugerrand scam.

It is understood that from July to September last year R18-million of bank money was transferred illegally from Volkskas in Johannesburg to an account at a Volkskas branch in Durban. It is believed the money was then withdrawn and used to buy Krugerrands and other goods.

Colonel M van Antwerpen, of the John Vorster Square Commercial Branch, told *The Weekly Mail* yesterday three men man had been arrested and another arrest is expected soon.

The much-publicised prosecution by Absa of Aldworth for allegedly misappropriating R400 000 from the bank had already brought the giant banking group and its troubles into the spotlight.

In contrast to the publicity given to the Aldworth affidavit and dismissal, Absa at the time of the R18-million theft said only that the matter had been handed over to the police.

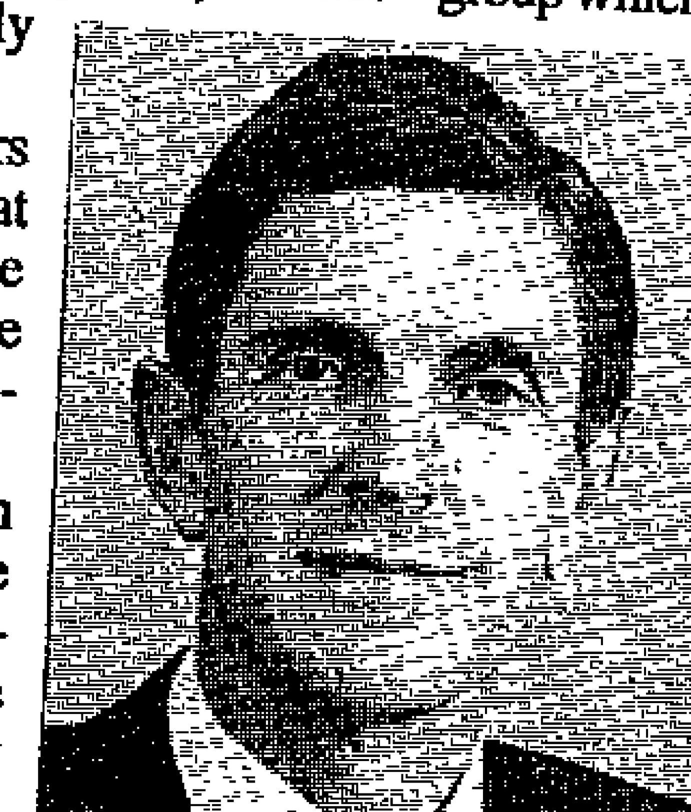
Aldworth admitted under oath he had taken around R400 000 from the bank and hid the amount in its books, intending to repay it from profits on Absa share options.

In a fax from London whence he has fled to escape a trial, Aldworth, who has Parkinson's Disease, has made serious allegations about the bank's management in an apparent attempt to defend his actions.

One relates to the bugging of former Allied chief executive Kevin de Villiers' phone, a matter which De Villiers is reportedly taking up.

More serious for shareholders and investors are allegations that Absa's bad debt provisions are inadequate, though their source means they will be easily discredited.

"The potential losses in certain high-borrowing accounts are enormous and I doubt if the R1-billion put up by the Reserve Bank/government will be nearly enough," Aldworth has been quoted as saying.



Departed ... Tony Norton

He also said R250-million in bad debts for the liquidated Tollgate Holdings group had not been provided for "at this stage" and substantial losses were still to come from Volkskas.

Absa is still undecided about whether to comment on these allegations, according to Snyman.

The revelation, coming so soon after the Aldworth scandal, puts the spotlight back on the group which has been hit by controversy since its birth three years ago through the merger of four big financial institutions.

The merger itself was not expected to be easy. It involved joining successful former building society United to troubled Bankorp, bailed out to the tune of R1-billion by the Reserve Bank, as well as Allied and Volkskas, both with their own lesser problems.

Inevitable rationalisation led to thousands of retrenchments. Prominent bankers who took flight include De Villiers, Tony Norton, Laurie Korsten, Piet Liebenberg, Hennie Diedericks, and Estienne du Toit.

De Villiers' departure was itself marked by acrimony and a boardroom battle followed by a continuing court action.

Fedure earnings up by 21 percent

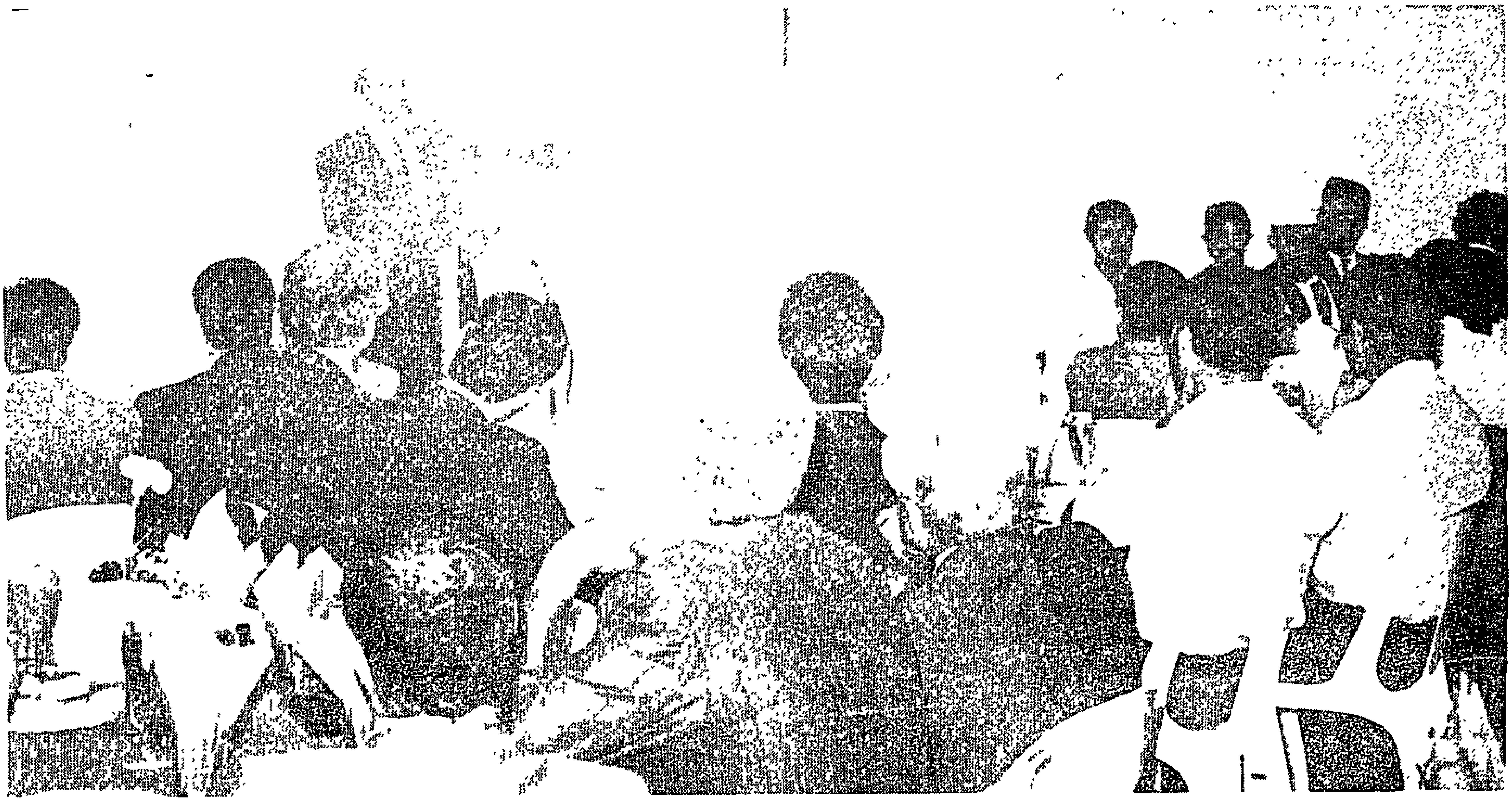
Business staff (58) ARG 27/2/93

LIFE assurance-based Fedsure boosted earnings by 21 percent to 51,8c a share in the year to December 1992. A final dividend of 21,5c has been declared, raising the total payout by 20,5 percent to 36,75c.

Taxed income rose by 78 percent to R51,2 million and attributable net income by 47 percent to R42,4 million.

The issue of 18 million shares during the year diluted the share earnings improvement to 21 percent.

Group chief executive Mr Arnold Basserabie drew attention, among other things, to the fact that the compound annual rate of earnings growth since listing was more than 20 percent.



NEW BRANCH : ANC executive member Trevor Manuel addresses the launch of the Islamic Bank's Cape Town branch

Islamic bank has the last laugh

SOUTH 27/2 - 3/3/93 (58)

THEY were once considered a joke by the Reserve Bank and the South African banking establishment, but the Islamic Bank has had the last laugh.

It has been 10 years since their humble beginnings in Johannesburg with a measly capital sum of R200 000.

But that sum has grown to about R100 million — an astonishing performance from an organisation which operates on the Islamic principle of not dealing in interest.

A breakdown of their growth over the past year reveals an almost 50 per cent increase in their capital from over R50 million at the end of March 1992 last year to R100 million this year.

They have also consistently paid a return of between 12 and 14 per cent in each year of operation.

They deal in commodities, wholesale and retail business, property, management and business consultation and research in business and economic spheres.

And they have started expanding. Last week, the bank launched its Cape Town branch, having already established branches in Johannesurg and Durban. The bank employs a full-time staff of 32, with the majority based in Johannesburg.

The bank plans to increase its assets to R200 million.

Speaking at the Cape Town launch, chief executive officer Mr Ebrahim Kharsany said the bank had grown "beyond his wildest dreams".

He said he wanted to dispel the misconception that the bank catered only for Muslims.

The bank was community-based and aimed to create jobs by focusing on areas such as housing, the informal sector and small and medium-sized businesses.

The ANC has given its backing to the venture.

ANC Economic Planning Department head Mr Trevor Manuel told the launch the establishment of the city branch was a "bold step" considering the economic and political upheaval in the country.

"It signals confidence and a commitment to share in the burden of transforming our country," he said.

This was at a time when 48 per cent of the country's normally economically active population was unemployed and 1,8 million families needed houses.

Manuel said South Africa had a sophisticated financial sector but has still not catered for people in the townships.

"This sophistication has not come without a price. Part of the price was to ignore the majority of South Africans, leaving vast sectors unbanked and underbanked."

He said that Guguletu, Nyanga, Crossroads, Brown's Farm and Khayelitsha together house 800 000 people, yet no financial institution had "bothered" to instal an Automatic Teller Machine (ATM) there.

While Kharsany criticised the central bank's opposition to their formation, there seems to be a new-found friendship. Dr Japie Jacobs, a representative from the Reserve Bank, was also a speaker at the Cape Town launch.

Jacobs praised the organisation for its "excellent performance", but admitted he never thought the bank would work. — **Waghied Misbach**

Cutting the cost of your bank account

S Times (Buss) 28/2/93. (58)

By TERRY BETTY

CONSUMERS can slash the costs of running their cheque accounts if they shop around for the best price and negotiate with their bank manager.

"Few people do this. Most presume the charges are standard and just accept them," says Wespro managing director Jaap Spelt.

Spelt says some clients are charged three times more than others even though they use the same bank.

Range

One would think this is only small change, but Spelt says he has recently recovered R3 000 for one client for erroneous bank charges.

And that does not include how much could have been saved had the client negotiated a better rate.

A snap survey of the major banks shows a wide range in cheque charges.

For example, the normal charge to process a R100 cheque varies from 40c to 75c between banks.

The maximum charged per cheque is R9 by Standard Bank yet R20 by First Naional Bank. United and Nedbank both charge a maximum of R12.

This charge is levied at the bank manager's discretion and varies between different branches. A United Bank spokesman explains that R12 is the rate they charge their "naughty" clients.

But a Nedbank bank manager says this is the standard rate that is open to negotiation, although he admits this is not pointed out to clients when they apply. He says 90% of clients — companies and individuals — accept the charges as they are.

"All you have to do is flex your muscle and haggle with your bank manager," says Spelt.

He says there is a school of thought that it is up to the client to take better care of his financial affairs.

Blamed

This makes an enormous difference to large companies issuing hundreds of cheques every month.

These are not the only charges that some managers levy at their discretion.

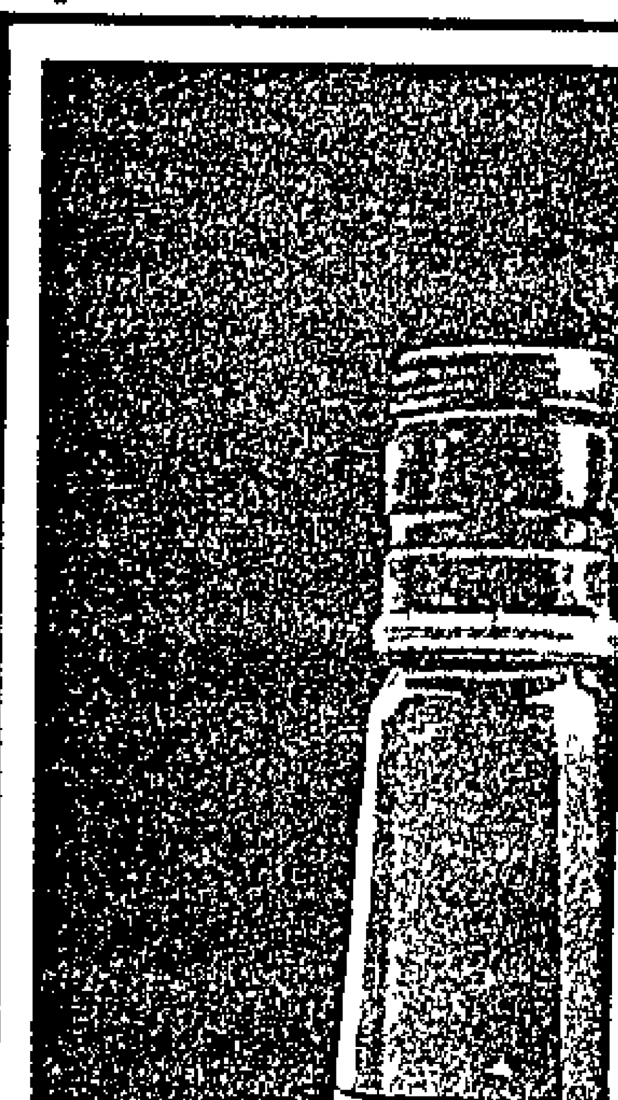
Some even charge a monthly administrative fee, irrespective of whether the account is used.

For example, Spelt says that one of his clients had a R300 administrative fee going through his account every month.

He says one bank manager has told him that, when a branch is behind profit projections, it takes R30 off every account a month in the guise of administrative charges.

"If somebody queries this it will be reversed and blamed as a computer error, but only 1% of the clients even notice.

"If this bank has 200 000 current accounts countrywide it translates into an extra profit of R6-million a month," claims Spelt.



fierce discounting battle for forecasts for the year which

Fedsure banks on rerating insurance

ST Times (Buss) 28/2/93. (58)

FEDSURE Holdings has yet again maintained its consistent record of producing compound annual growth in earnings of above 20% a year.

Despite much more difficult economic conditions, attributable earnings grew by 47% to R42,4-million in the year to December 1992.

Earnings a share were 21% higher at 51,8c because of the issue of 18 million new shares as part of the strategic alliance with Investec early last year.

The final dividend of 21,5c brings the total distribution for the year to 36,75c (30,5c) a share.

Fedsure's share price, which began 1992 at 785c on the JSE, has risen 50% and is trading at more than 1 200c in line with a strong rerating of the insurance sector.

The convertible preference shares, which were issued at R10 around April 1992, went up to R18,50 at year-end and are now standing at R19.

Group chief executive Arnold Basserabie says Fedsure's strategic alliances with Investec and Saambou are providing a valuable entrée into new business fields. The benefits will increase as more special product packages are developed and relationships with new clients strengthen.

Fedsure recently formed an alliance with the EP Building Society which will enable it to market its product range to the society's clients.

Last year's alliance with the Investec group, and the subsequent rights issues, has helped Fedsure to considerably strengthen its capital base. Shareholders' funds jumped from R111-million at the end of the previous year to R348-million at the end of 1992.

Total assets, which grew by 25% in 1991 to top R5-billion for the first time, increased another 28% to R6,5-billion by the 1992 year end.

Life assurer Fedlife, Fedsure's core business, improved its gross premium income by 40% to R1,2-billion. Its slice of the premium market also rose in 1992.

Recurring premiums grew by 22% to R775-million, while single premiums jumped 85% to R470-million.

Basserabie says: "Particularly pleasing has been the growth in individual life business, where annualised new business was well up on the previous year by some 50%."

This growth comes on the back of Fedlife's continual presence in the broker market. Its agency force, started in 1991, is also starting to contribute meaningfully to its business.

Fedlife's benefits paid to policy holders were up 18% at R573-million, which means that the assurer is paying out more than R2-million in claims per working day.

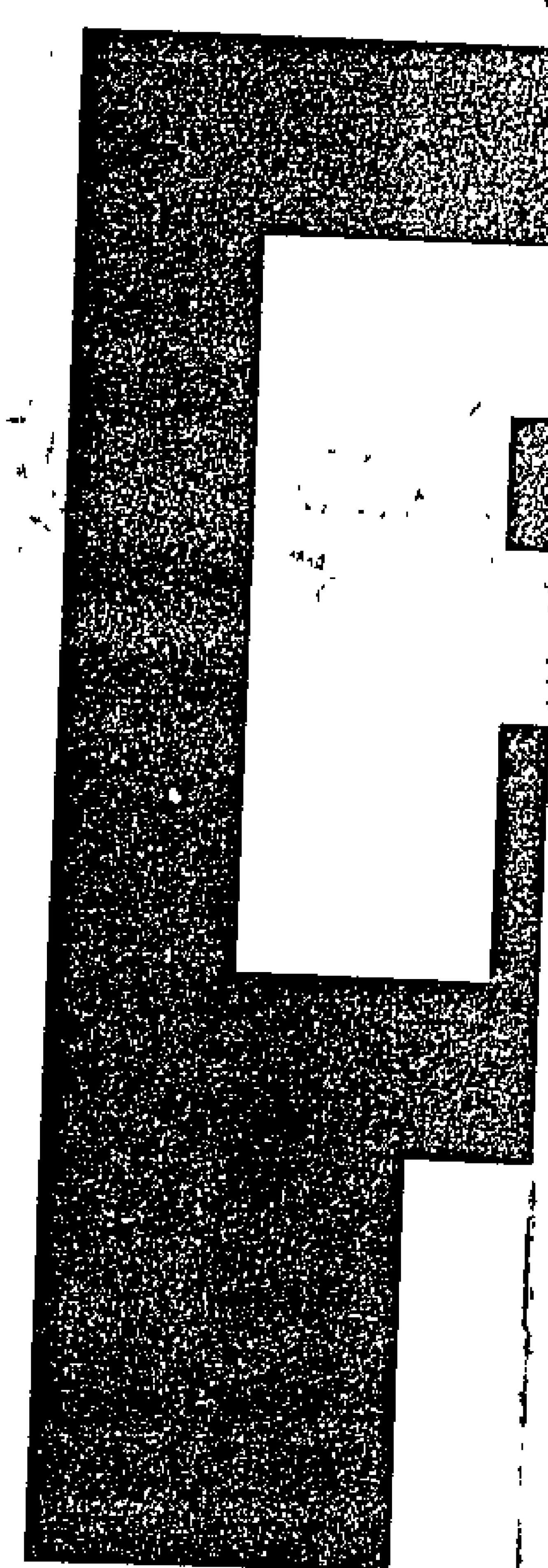
In investment performance, Fedsure maintained the improved ranking it achieved in 1991. The growth in unit price of the Fedlink managed portfolio increased by more than 10% in the year, compared with a 5% fall in the JSE All Share Index.

On the equities side, Fedsure substantially increased its weighting in selected financial and industrial counters.

Basserabie says the property portfolio performed particularly well, reaching a market value of R1,1-billion. Average occupancy levels exceeded 97%, mainly because of the selective tenant mix, and the aggregate return over the year was over 23%.

The group's short term arm Fedgen showed a creditable turn-around in performance, transforming a R5-million loss in the previous year to a R5-million profit in 1992. It benefited from the emphasis placed on careful underwriting and control of claims costs.

Unit trust Fedgro increased its value over the year from R27-million to R40-million.



Absa to brand together

(58)

S/Times (B455)

28/2/93.

ABSA will combine the head office and regional offices of its four commercial banking arms — Allied, United, Trust-Bank and Volkskas — from April 1 this year.

The restructuring is aimed at strongly enhancing client service throughout the group, says Nallie Bosman, who will head up the new structure as executive director, commercial banks.

He says the move is essential to facilitate the development of a single integrated computer system which includes all four banking arms.

It will provide a number of other important client and operational benefits, including shorter lines of administration, faster decision-making and client query response times and the better utilisation of human resources.

Mr Bosman says the four brand names will be retained as long as there is sufficient market demand to justify their existence. Brand managers in charge of each brand will be appointed at head office.

The various operational regions have also been restructured into eight separate regions, each with a regional general manager at the helm.

Summons claims CIB duped Bank

S| Times (Buss) 28/2/93. (58)

By JEREMY WOODS

CAPE Investment Bank (CIB) is alleged to have undertaken bogus rights issues to convince the Reserve Bank that it had sufficient capital to meet its statutory requirements.

This allegation is contained in a summons issued by CIB liquidator Tjaart Du Plessis in Cape Town's Supreme Court against CIB chairman Jan Pickard junior and directors Eugene Swartz, Sigfrides Lohle and Gerlof Reitsma.

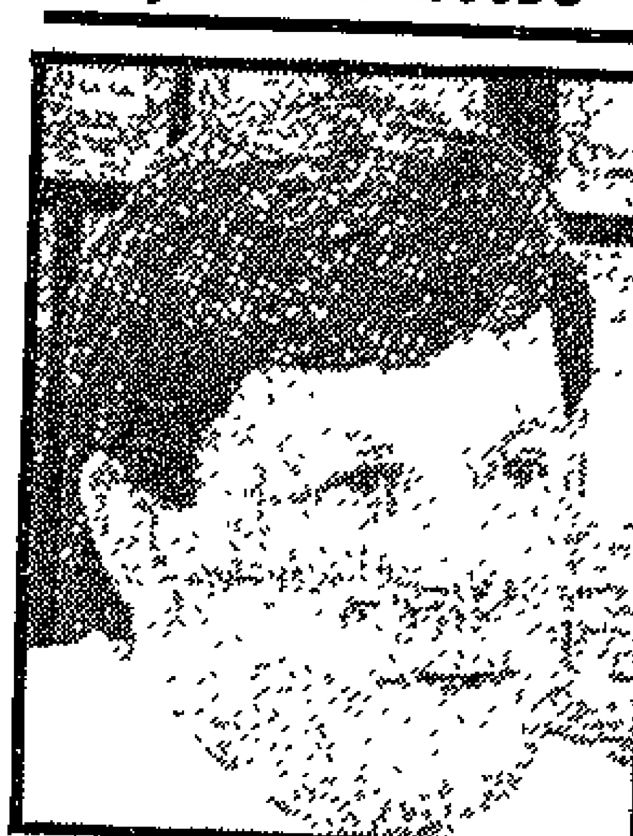
The four directors are being held personally liable for R142-million of missing funds in one of the largest claims of its kind in South African legal history.

Concealed

When it became apparent that CIB had sustained "heavy losses" from a R1-billion punt in Eskom stock and the "carrying costs" of underwriting Goldfin stock, CBI tried to avoid showing these losses.

It allegedly increased its share capital to meet the statutory requirements, then artificially created a capital reserve and concealed the substantial loss it had suffered on Goldfin and Eskom stock during the year ended June 30 1990 by secretly writing off the losses against the capital reserve.

The summons says that, to enable the regulatory au-



JAN PICKARD Junior

thorities to ensure that required amounts of capital were maintained, every registered bank was required at the end of each calendar quarter to file a return on a prescribed form — BA Form 8 — giving details of its capital, its assets and the capital adequacy calculation.

As at the end of June 1990, the amount of capital CIB was required to have was R29,1-million, but the actual capital of CIB would not have been sufficient to meet the statutory requirement, alleges the summons.

On June 29, CIB issued 24 380 shares of 10c each to its holding company, Cape Investment Bank Ltd (CIBG), at a total premium of R14,9-million and to Corporate Bank Group (CBG), an associate company, 13 147 shares of 10c each at a total premium of R8-million.

The summons says this increased the capital of CIB by an aggregate of R23-million, while the figure of R29,4-million was entered by CIB on the BA Form 8 and returned to the regulatory authorities.

"The said shares were issued in contravention of section 91 (1) of the Companies Act 1973, because the issue price was neither paid to or received by CIB.

"More particularly, the said shares were issued on credit, in that on June 29 1990, CIB lent and advanced an amount of R30-million to CIBG and CBG (being R15-million each), and on the said day R23-million of that money was repaid to CIB as the subscription price of the said shares."

The summons says that, in fact, CIB did not receive any additional capital on June 29 1990 and by completing the BA Form 8 in the manner it did, "CIB was falsely representing to the regulating authorities that it had the statutory required capital".

Avoided

In July 1990 it became clear that CIB had sustained heavy losses arising out of the fall in value of its Eskom stock and losses in respect of carrying the Eskom stock and the Goldfin stock.

In accordance with proper and prudent accounting methods, CIB's holding of Eskom's E168 stock should have been reflected in its books at market value.

Tinus Slabber, legal adviser to Mr Jan Pickard junior, said late on Friday: "We strongly deny any wrongdoing or irregularities and any steps taken were done with consultation and express prior approval of the auditors. Banks are required by law to have two independent sets of auditors."

SANLAM 75th

The lowdown on Sanlam Properties

Sowetan 8/6/93

SANLAM Properties' conventional business entails long-term investment — income-producing properties.

It does not finance properties in which it does not have a controlling interest. It also does not deal in properties other than the normal refinement of its long-term property portfolio.

The highest decision-making body is the SP board of directors, chaired by Mr Billy van der Merwe and his six colleagues Mr Johan Treurnicht, an advocate (managing), Mr Pierre Steyn, Mr Ronnie Masson, Mr Leon Bartel, Mr Eric Field and Dr Corne du Leeuw. To speed decision-making, the management committee meets every fortnight to consider new propositions.

The growth of Sanlam Properties has brought about a restructuring of its general and senior management teams as well as the regional structure.

Operationally, the company has two major divisions specialising in its conventional business of office, retail and industrial development. SP has in recent years entered the sectional title market and township development, which is the third division. This unconventional portfolio is small as a percentage of SP's total assets and is directed at the middle and upper end of the market.

The SP total national staff complement is 887. Apart from general management, the smallish head office also has service departments such as budget control, legal advice, public relations, personnel, auditing, financial and computer services and marketing communications.

In the 75 years that Sanlam has been in business, it has become a major player in the property sector of the economy with its property portfolio currently worth more than R7 500-million.

Sanlam Properties had a traditional base of more conventional business of office and office park developments, shops and shopping centres, mini-factories and industrial parks and this base was broadened to include the more unconventional business of leisure developments such as San Lameer, retirement villages such as San Sereno Estate, sectional title projects like The President and township developments.

Sanlam's buildings are visible in every big centre throughout the country and include the Golden Acre in Cape Town, the Sanlam Centre in Johannesburg and the Embassy in Durban. Other high-profile projects include the new Fourways Mall in Sandton and the Sancardia shopping and office complex in Pretoria.

The company works closely with town and regional planners, professional teams, building contractors, private developers, property brokers and tenants which include the major anchor tenants and national chain stores. It has a proven track record of sensitivity to environment aspects and has on many occasions found a workable balance between aesthetic and practical considerations.

An example of the attention paid to the environment is the new Isle of Houghton office park development in Johannesburg.

The site comprised a number of old Johannesburg homes on large plots, the whole area being well covered in indigenous trees. A full impact study was conducted resulting in the incorporation of most of the trees into the development.

In fact, driving past the Isle of Houghton development, it is difficult to see the new buildings through the trees.

Mr Johan Treurnicht, managing director, says: "I see Sanlam Properties in partnership with its tenants, partners in business, in success, in profit and in prosperity.

Together, we are building the future."

■ Who's who and who does what in the Sanlam Properties set-up team:

58

Sanlam invests in the future

Sowetan 8/6/93

SEVENTY-FIVE years ago today, Sanlam was registered as a full subsidiary of Santam. There will be celebrations throughout the country but the major festivities will be at the company's new headquarters in Bellville where a gala banquet will be attended by the State President, Mr FW de Klerk.

It was started by a small group o Afrikaners and one Scotsman (the minutes were kept in English for his benefit). The first meeting was held at the old Royal Hotel in Cape Town in December 1917 to discuss the survival of the Afrikaner nation

Bankrupt from the two Anglo-Boer wars, the upheavals of World War One, a succession of droughts and persistent recession, Afrikaners were flocking to the towns in their thousands but with little chance of jobs. The "poor white" problem had become enormous.

The idea was to create new avenues of employment to help these people survive and even participate in the country's economy. The medium they chose was an insurance company, which would enable them to attract capital through policy-owners premiums while providing security for and service to their fellow Afrikaners.

The extent to which these dreams have been fulfilled would astound the original little group of visionaries. Today Sanlam is a giant with assets of over R60 billion and a major influence in virtually every aspect of the South African economy.

Their original dreams of providing jobs and security have also been fulfilled. Sanlam and the companies it controls employ over 400 000 South Africans and provide financial security for more than three million policy-owners.

However, it is not only those who have a direct stake in Sanlam who share in its success. Aware of its responsibility, the company invests heavily in the present and the future of all people.

Having identified education and small business development as the most critical areas of need, Sanlam ploughs millions of rands into these two spheres each year.

Sanlam and its companies are the largest single shareholder in the Small Business Development Corporation Sanlam sponsors a school of business practice — the Sanlam Centre for Small Business Management.

Health and welfare services throughout the country benefit greatly from Sanlam donations, but the company's concern does not stop with the signing of cheques. Various hands-on community related projects are embarked upon every year to help the disadvantaged Probably the best-known of these is the Pretty Things for

■ POOR WHITES Company began as a vehicle for Afrikaner self-help:

(58)

Little Things competition, which draws elderly folk back into creativity through handmaking toys and items of clothing for underprivileged children.

Sanlam is also well aware of its responsibilities in the realm of arts and culture and has a proud tradition of assistance through sponsorships and various competitions for literature, music, ballet and drama.

It is active in conservation too, being a founder member of the SA Nature Foundation. It has established the Sanlam Research Unit for Environmental Conservation as an early warning system for endangered ecosystems and species.

Ultimately, Sanlam's main concern is business, assurance in particular. During this 75th anniversary year, Sanlam passed the R10 billion a year premium income, while almost R6 billion (R24 million a working day) was paid out in benefits.

The concern for the Afrikaner has broadened to encompass all South Africans. Sanlam now has an English speaking managing director and no racial or cultural bias. Sanlam has helped solve the problems of the past and is now poised for the future. As newly elected chairman Pierre Steyn says: "It is Sanlam's intention to be part of the solution this time too."

Business Report

Absa rides out tough transition

(58) CT 8/6/93

From SHARON WOOD

JOHANNESBURG. — Amalgamated Banks of SA (Absa) would need a capital injection within the next two years, chairman Herc Hefer said at the release of the group's annual results yesterday.

"Capital adequacy could present a problem in two years' time," he said, but added that this would not pose a problem in the coming financial year.

Banks are legally required to phase in capital amounting to 8% of assets by January 1995. Absa's present risk-weighted capital adequacy ratio is 8,1%, the second lowest of the "big four". Standard Bank Investment Corporation has the healthiest ratio at 10,3%, followed by FNB's 9,8%.

Hefer said the capital would not necessarily be raised through a rights issue. He did not say how much would be raised, but recent rights issues of other major banks have raised about R500m.

The group reported a 12% rise in earnings to 120,8c a share in the year to end-March from a previous 107,6c. The earnings performance was at the low end of analysts' forecasts.

The total dividend was up 10% at 43,5c a share from 39,5c. The resultant dividend cover of 2,8 times remained below the group's targeted 3,0 times.

CE Piet Badenhorst described the year as one of consolidation and said earnings growth had been satisfactory, given the extremely difficult environment.

Hefer said: "We suffered in the past year because of the uncertainties based on the rationalisation process," adding that rationalisation was "99% completed".

He expected earnings performance by the banking industry this year to be worse than the previous year.

Hefer said the results were not strictly comparable with those at the previous year-end because of the acquisition of Bankorp on April 1 last year.

Total assets rose 46,7% to R82,5bn (R56,2bn), within which advances rose 50,1% to R63,28bn from R42,17bn. Interest on advances increased 37% and interest payable by the group rose 28,8%.

As a result of the widening on margins, net interest income jumped 69,1% to R3,69bn from R2,18bn.

Bad and doubtful advances climbed 73,4% to R781,4m from R450,6m.

The group's taxation surged 123,3% to R446,1m from R199,8m, increasing the tax rate to 41,2% from the previous year's 29,8%. Deferred tax and tax equalisation were included in the tax charge.

Absa retained income of R470,4m, up 51,3% on the previous year's R311m.

Training the whole man

Sowetan 8/6/93

SELLING TECHNIQUES Inhouse training includes time management, communications and writing skills:

58

TRAINING the whole man is the aim of the Sanlam training team in Northern Transvaal.

Willie Snyman, senior training manager for Sanlam in this region reckons that training a marketer in the basics of products and selling techniques is no longer sufficient.

Training must include stress management, writing and communication skills and time management.

Successful marketers make good use of their time. Time management skills are addressed by the Sanlam trainers because they are seen to be vital.

However, training people of various cultures and backgrounds makes differentiated training methods essential. This is especially so for some black people who may be unfamiliar with many financial terms

This is why trainers of black financial advisers have to be familiar with their culture.

Mr Phillip Mmola, a former University of the North lecturer and until recently a marketer, has been appointed to train black marketers for Sanlam at Regional Head Office.

He says that the needs are the same but the approach needs to be tailored.

"We are in the process of adopting a probation programme for training graduates so that they can gain practical experience and learn the meaning and application of financial expressions."

Sanlam in Northern Transvaal is aiming to double its black training programme.

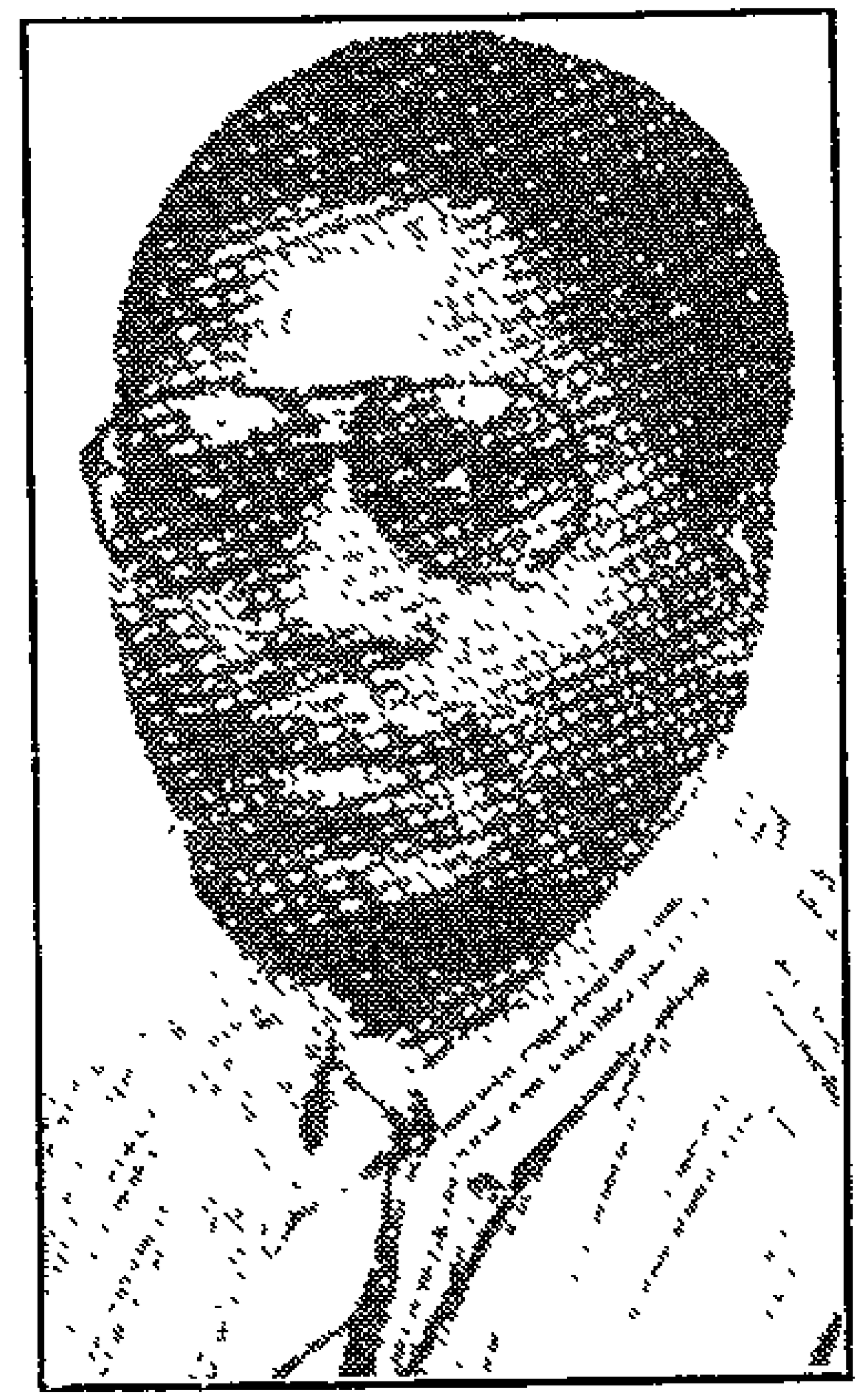
Snyman, along with the rest of the world, finds it difficult to define the ingredients for a successful salesman. However, one element is the need to succeed or win - or not to fail. The negative response from clients, motivates them to win the next one.

This driving force for success is also coupled with the necessary communication skills and confidence in their products.

Sanlam is constantly researching all aspects of marketing with universities, technikons and training establishments to try and find a selling culture and to put together a programme.

While senior management in Bellville advocates that culturally, the staff should reflect the race of the business, Snyman reckons the same ratio should reflect the trainers of the staff. His black trainers are currently 10 percent but are being increased to 20 percent to address the anticipated recruits.

"The black people are becoming more and more knowledgeable about insurance products and this will be the market of the future," Snyman concludes.



Phillip Mmola

Willie Snyman

Raising the flag fittingly

Sowetan 8/6/98

New headquarters completed after 5 years:

MURRAY Roberts (Cape) has spent five years at Sanlamhof Bellville constructing a new headquarters for Sanlam.

Although some of the old buildings were retained in the re-development plan, they have now been extensively modernised to put them on a par with the new.

The project has been described as the biggest alteration contract ever completed on a commercial complex in Southern Africa.

Largest construction

It is also the largest construction project of its kind ever undertaken by a Murray Roberts company, the largest construction project in the Cape and one of the largest nationally.

Despite an initial delay of 12 weeks, caused by unstable soil conditions, M'R is completing the contract six months ahead of schedule, allowing Sanlam's entire Cape staff to be brought together under one roof during the company's 75th anniversary year.

New buildings

New buildings constructed during the phased re-development include two new car parks, a computer centre, a training centre, the South office block, infills between the old and the new buildings, an entrance and additional staff accommodation.

Older buildings have either been demolished or gutted for total refurbishment so that the new complex bears little resemblance either inside or out to what it looked like before.

Apart from the complexity of the phased construction schedule and the need for work to proceed continually at a cracking pace because of Sanlam's urgent need for space, M'R was faced with a huge additional challenge in having to carry out its work while 2 600 Sanlam employees went about their business with the minimal disruption

At times there were as many as 1 500 construction staff working on the site which resembled a curious hive of activity: white collar staff working at high-tech computers in air conditioned offices and yellow hatted construction workers perched on outdoor scaffolding or knee-deep in concrete.

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Old structures

The sound of jackhammers demolishing old structures and piledrivers driving piles for new ones soon became a familiar background noise in the offices where staff obligingly adapted to discomfort levels.

According to Rex Laver, M'R's director in charge of the contract over the past five years, "The tolerance and co-operation of Sanlam's management and staff during these years has been fantastic.

Most difficult

Even through the most difficult periods and crises, like burst water mains, a happy atmosphere has prevailed. This helped to make it possible for M'R to complete the project ahead of schedule."

The enormity of the project can be gauged by some of the quantities used: 180 000 tons of concrete for the shell of the building alone - enough to build 9 000 average size houses; 6 868km of steel bars with an average diameter of 12mm — almost the distance from Bellville to London when laid end to end. At construction peak there were no fewer than seven tower cranes working and as many as 180 different subcontracting firms on site. To catch up on time lost through the delay at the start of the project, all teams worked seven-day weeks for a considerable period. At one stage the computer centre team peaked with a record 2 500 cubic metres of concrete poured in one day during a 17 hour shift

In spite of working under pressure during the entire five-year period, M'R's Sanlam site team maintained exceptionally high safety standards, winning a first prize in Bifsa's annual National Safety Awards competition.

Sanlam's new headquarters now has double its original usable office space — 78 0000sqm, several plant-filled atriums linking the office blocks, many more covered parking bays and an impressive new entrance.

Speaking at the final roofwetting function held recently, M'R's group chief executive David Brink said: "When friends invite you into their home to undertake extensive alterations, the challenge is daunting. When they tell you that they want to live in it while you do the work, the project becomes quite frightening.

"This project called for exceptional workmanship, interpersonal skills and co-operation in order to succeed Murray' Roberts is proud of the result."

Big role for black community

Sowetan 8/6/93

■ Control of Metpol company with market capital of R1,5 billion:

IN a dramatic move, the black community acquired a leading role in the control of Metropolitan Life (Metpol), a company with a market capital of about R1,5 billion.

Existing management and the involvement of Sankorp at board level will be retained. This came about through the sale by Sankorp of shares in Metpol to the newly established Metlife Investment Holdings (Methold).

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The transaction, which makes Metpol the first company on the JSE in the control of which the black community plays a dominant role, has been financed by the Industrial Development Corporation (IDC).

Sankorp chief executive Marinus Daling said the sale resulted from Sankorp's desire to contribute meaningfully to black economic empowerment.

Methold has been financed to the tune of R137 million by the IDC.

This money will be used to acquire, as a first step, a 10 percent holding in Metpol consisting of 6 745 496 ordinary shares at R20 a share.

The price of R20 was the average at which Metpol shares traded in the three months prior to the date of approval of finance by the IDC.

The funding from the IDC will be redeemed as money is generated through the issuing and marketing of Methold shares to the black community.

SOWETAN Tuesday June 8 1993

The many arms of Sanlam

Sowetan 8/6/93

■ **It touches everyone at some point:**

(58)

FEW people realise the extent of Sanlam's financial influence on our every day lives.

You do not need to have a Sanlam policy to be "touched" by Sanlam in some way. Through its investments in corporations like Malbak, Murray & Roberts, Gencor, Siemens, Plessey, Santam, Pepgro, there are very few South Africans who are unaffected by Sanlam. Businessmen hire Avis cars. They also have bank accounts at Volkskas and Trust Bank or their houses (built with Blue Circle Cement) are mortgaged to Allied or United.

Families dine out at Mike's Kitchen and perhaps take in a show at Ster Kinekor. Even if you don't shop at Checkers, you probably buy Tabletop frozen vegetables, Enterprise bacon, fresh processed meat prepared by Kanhym, Carlton paper towels or loo paper, or even Simba chips.

While reading your newspaper this afternoon, you might be lounging on a sofa from Ellerines with your feet clad in Conshu shoes, before cleaning the pool with HTH or planning to watch your Tedelex video.

Or you might be sick in bed taking prescribed drugs produced by Protea Pharamaceuticals, Lennons or effective cough mixture from SA Druggists.

And if you disclaim all of these Sanlam-linked names, you cannot divorce yourself from the newspaper you are reading which was printed on paper from Sappi.

Finally, if you protest that Sanlam has no influence in your life, phone me. Siemens and Plessey devised and designed our telephone systems.

Insurance giant turns 75

ARG 8/6/93 (58)

SANLAM celebrates its 75th birthday today.

The occasion will be marked by celebrations around the country, culminating in a gala banquet at which the company's brand-new headquarters in Bellville will be inaugurated by the State President.

The company had humble beginnings when a small group of Afrikaners and one Scot (the minutes were kept in English for his benefit) met in the old Royal Hotel in Cape Town in December 1917.

On the agenda was nothing less than the survival of the Afrikaner nation.

Impoverished by the two Anglo Boer wars, the upheavals of the First World War, a succession of droughts and an ongoing recession, Afrikaners were flocking to the towns in their thousands, where little hope of jobs awaited them.

The "Poor White question" had become an enormous problem.

The idea was to create new avenues of employment to help these people to gain entry into the country's commerce and industry.

The medium they chose was an insurance company, which would enable them to attract capital through policy-owners premiums, and at the same time, provide security and service to their fellow Afrikaners.

The measure to which their dreams have been realised would amaze the original little group of visionary entrepreneurs were they still alive.

Today Sanlam is a giant corporation with assets of more than R60 billion and a major influence in virtually every aspect of the South African economy.

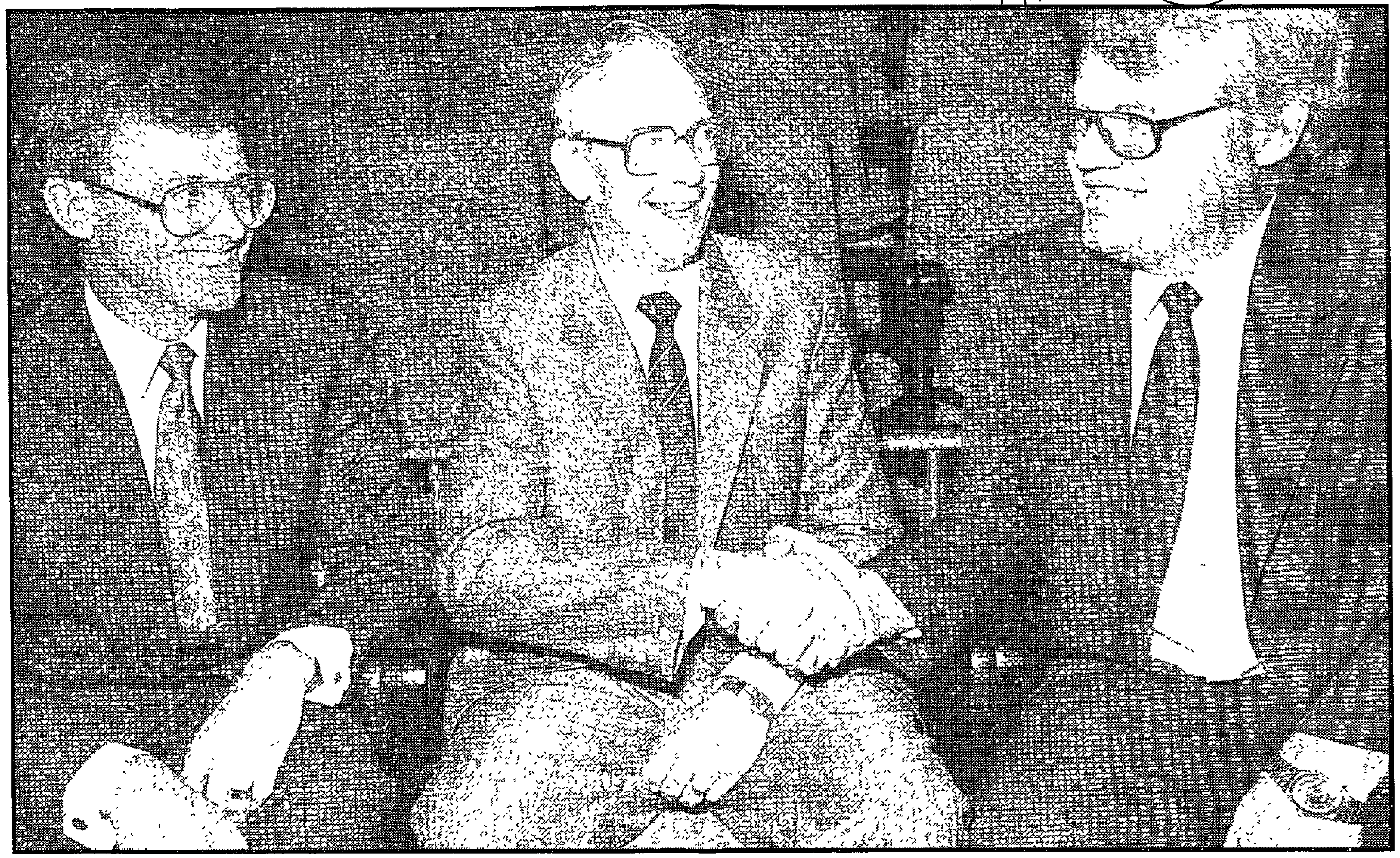
Their original dreams of providing jobs and security have also been fulfilled beyond wildest expectations. Today Sanlam and the companies it controls employ more than 400 000 South Africans and provide financial security for more than three million policy-owners.

But it is not only those who have a direct stake in Sanlam who share in its success. Aware of its responsibility at the cutting edge of day-to-day life in South Africa, the company invests heavily in the present — and the future — of all its people.

Having identified education and small business development as the most critical areas of need in the country today, Sanlam ploughs literally millions of rands into these two spheres every year.

Every South African university, every technikon and most training colleges receive generous annual funding from the company, while the "nurseries" of education also owe much to the gentle giant.

And, as the largest single shareholder of the Small Business Development Corporation, the Sanlam group of companies is also at the forefront of small business development in South Africa.



AT THE HELM: The men who head Sanlam today are chairman Pierre Steyn, centre, deputy chairman Marinus Daling, right, and managing director Desmond Smith, left.

Sanlam itself sponsors a school of business practice — the Sanlam Centre for Small Business Management.

Health and welfare services throughout the country benefit greatly from Sanlam donations, but the company's concern does not stop with the simple signing of cheques. Various hands-on community-related projects are embarked upon every year to help disadvantaged sectors of our society.

Probably the best-known of these is the Pretty Things for Little Things competition, which draws eldery folk back into creativity through hand-making toys and items of clothing for underprivileged children, thus benefiting these communities.

Sanlam is also well-aware of its responsibilities in the realm of arts and culture and has a proud tradition of assistance through sponsorships and various competitions for literature, music, ballet and drama.

The Sanlam awards in these categories have come to be regarded by many as the pre-eminent recognition of artistic achievement in this country. The company's collection of South African art is also widely considered the best of its kind.

The company is active in conservation too, being a founder member of the SA Nature Foundation, and has established the Sanlam Research Unit for Environmental Conservation as an early warning system for endangered ecosystems and species.

But ultimately Sanlam's main concern must by definition be business, the business of assurance in particular, and it is in this regard that the company has had the deepest impact on the country at large.

Appropriately, it was during its 75th anniversary year that Sanlam passed the milestone of R10 billion a year premium income, while almost R6 billion (R24 million per working day) was paid out in benefits.

This position of pre-eminence obviously implies widespread acceptance of the company across the spectrum of lan[illegible]e and race and

MILESTONES

- **5.12.1917:** Historic meeting at old Royal Hotel in Cape Town attended by six Afrikaners and one Scot at which they decide to form a company to handle "all aspects of trust work and insurance".
- **28.3.1918:** The Suid-Afrikaanse Nasionale Trust- en Assuransiemaatskappij (SANTAM) is registered, with Willie Hofmeyr as chairman.
- **1.5.1918:** Santam begins operations at 10 Burg Street, Cape Town.
- **3.5.1918:** The first board meeting decides to launch a "life department" as a separate company — the Suid-Afrikaanse Nationale Lewens Assuransie Maatskappij Beperk (SANLAM) with a capital of £25 000.
- **8.6.1918:** Sanlam registered as a full subsidiary of Santam.
- **2.8.1918:** Santam buys African Homes Trust for £150 000.
- **1919:** Sanlam declares its first bonus and moves into larger offices at 15 Adderley Street, Cape Town.
- **1923:** Business operations start in South-West Africa and Natal.
- **1928:** Office work "mechanised" through acquisition of self-drive accounting machine and addressograph.
- **1932:** Sanlam takes occupation of new head office in Wale Street, Cape Town. First house journal, the *Sanlam Fakkel*, appears.
- **1935:** African Homes Trust is taken over from Santam and becomes Sanlam's first subsidiary company.
- **1938:** Sanlam begins operations in Rhodesia.
- **1939:** War is declared. Assistant actuary A D Wassenaar circulates first "war instructions", limiting Sanlam's liability on new policies.
- **1940:** Federale Volksbeleggings (FVB) formed after Sanlam takes the lead to pave the way for Afrikaner investments in business enterprises.
- **1945:** Sanlam much stronger after war years, with assets of R18 790 000. Office staff now total 254 (43 at head office).
- **1946:** Bonuskor registered for the re-investment of policy bonuses.
- **1953:** Sanlam gets a foothold in the mining industry through the formation of Federale Mynbou with Bonuskor and FVB. Sanlam's new head office in Bellville is inaugurated on 18 October. First chairman Willie Hofmeyr dies two days later. Charlie Louw is elected chairman in November.
- **1954:** Sanlam becomes a separate independent mutual company through private Bill and Act No 3 of 1954.
- **1958:** Sanlam now 40 years old. Assets total R135,5 million and premium income R22,5 million. Head office enlarged and first computer installed.
- **1960:** Sankor formed when Bonuskor's capital totals R10 million. Bonus certificates printed by computer for the first time.
- **1961:** Sanlam invests in gold mining and other shares following Sharpeville slump.
- **1963:** Federale Mynbou and Anglo American announce formation of Mainstraat Beleggings. Federale Mynbou obtains control of General Mining.
- **1967:** Sanlam invests in unit trusts for first time.
- **1970:** Sanlam and Santam agree to work more closely together and form an insurance, investment and banking giant.
- **1971:** South African-sourced premium income of R92,4 million exceeds Old Mutual's. Groot Paardevlei restored as residence for MD Pepler Scholtz.
- **1972:** Premium income exceeds R100 million for the first time — totallin[illegible]

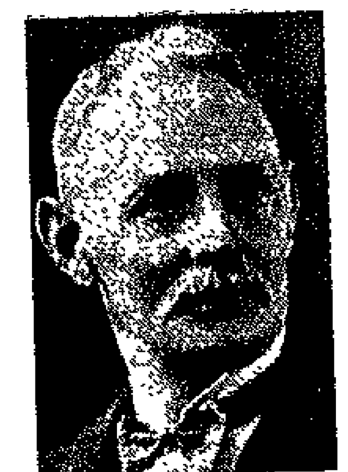
WA Hofmeyr (Chairman)

CTM Wilcocks (Vice-Chairman)

FH Dormehl (Managing Director)

CR Louw

TJ Louw



AFJ Benning

75 years ago, a few men saw the futre.

Today, millions own it.

Sanlam was founded in 1918 by a few pioneers to develop our country for our people.

This vision has been realised by our policy-owners. Because as Sanlam's only members and co-owners they contribute to a river of funds that flows through our country. Benefiting almost every facet of our economy. Creating employment for hundreds of thousands. And nourisinose very activities that are building uure. Like education. Small busines dopment. Sport. Housing. Medicalrech. Nature conservation. Art. Literature.

That is why a Sanlam poicyhe symbol of our mission. To assure er tomorrow for you, our country, ants people.

Sanlam
Assuring your tomorrow
75 years to date!

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having been specifically Afrikaner-orientated initially. Appropriately it announced the appointment this year of its first English-speaking managing director.

In doing so Sanlam showed that it has grown beyond its origins. It has helped to solve the problems of its past and now moves on to the different, but not dissimilar, problems facing South Africa today.

As newly-elected chairman Pierre Steyn puts it: "It is Sanlam's intention to be part of the solution this time too."

■ 1974: Total premium income increases by R31,8 million to R173,3 million. Total assets now R828 million.
■ 1977: Three financial milestones reached — premium income exceeds R250 million, income from investments exceeds R100 million, payments to policy-owners exceeds R100 million.
■ 1978: Pelper Scholtz retires as MD and Dr Fred du Plessis succeeds him. Sanlam buys Metlife for R6 million. Sanlam takes over Bankorp from Santam and gains effective control of Santam.
■ 1979: Dr Tinie Louw dies and is posthumously awarded the State President's Decoration for Distinguished Service. Homes Trust and Metlife are integrated to become Metropolitan Homes Trust.
■ 1982: Dr Fred du Plessis becomes Sanlam's fourth chairman when Dr A D Wassenaar retires.
■ 1985: Pierre Steyn become managing director in April. Sankorp is formed and Metropolitan Homes Trust becomes Metropolitan Life.
■ 1988: Sanlam celebrates its 70th birthday with countrywide dinners and receptions. Work begins on large extensions at Sanlamhof.
■ 1989: Dr Fred du Plessis dies tragically in a car accident at Somerset West and Dr Tjaart van der Walt succeeds him. He in turn retires and is succeeded by Dr A J van den Berg. Premium income exceeds R6 billion for the first time.
■ 1991: Honorary president Dr A D Wassenaar dies. Total premium income tops R8 billion and market value of Sanlam's assets increases by 35percent to R50 billion.
■ 1992: Premium income passes the R10 billion mark, rising by 27percent. Total assets rise to over R60 billion. Payments to policy-owners total R5,9 billion, an average of R3 million every hour of every working day. Director Derek Keys is appointed Minister of Finance. Sanlam sells Bankorp to Absa, gaining part control of Absa.
■ 1993: Pierre Steyn becomes chairman of Sanlam in place of retiring Dr Van der Berg, with Desmond Smith taking over as managing director. Sanlam celebrates its 75th birthday on 8 June with countrywide celebrations and a banquet at Sanlamhof at which the new building is officially opened by President F W de Klerk.

Carlton hotel loses millions

Star 8/6/93

The Carlton, central Johannesburg's only remaining five-star hotel, lost almost R5 million in the year to the end of March. (58)

The hotel's owner, Anglo American Properties (Amaprop), ascribed the losses to poor economic trading conditions overall, political uncertainty and the negative perception of downtown Johannesburg.

Six floors of the Carlton had been closed for some time, Amaprop said.

Falling demand for five-star facilities saw the only other five-star hotel in the CBD, the Johannesburg Sun, downgraded recently. — Property Editor.

Absa rides out storms, lifts earnings, payout

Star 8/6/93

By John Spira

In a year of major rationalisation and a depressed economy, Amalgamated Banks of SA (Absa) did well to produce a 12 percent increase in earnings to 120,8c a share.

For the 12 months to March, the attributable income of Africa's largest banking group rose by 39 percent to R683,8 million — somewhat ahead of the figure projected by most analysts.

A final dividend of 26,5c (24c) has been declared, raising the year's total distribution by 10 percent to 43,5c, covered 2,7 times by earnings.

Addressing a well-attended gathering of investment analysts and journalists, chief executive Piet Badenhorst was not prepared to commit himself to an earnings forecast for the current year.

He nevertheless said that in view of the intense competition in the banking arena, the industry would probably face lower growth rates than in the past.

In keeping with the industry, debt provisions, including those in subsidiaries acquired during the year, increased steeply — from R636,6 million to R1,866 billion.

Piet Badenhorst . . . lower growth rates than in the past

Badenhorst considered the increase realistic and in accordance with Absa's conservative standards.

The capital to risk-weighted assets ratio was 8,1 percent at year-end — sufficient, said Badenhorst, for the current financial year, though thereafter Absa's capital base would probably need to be further strengthened.

Detailing the results of the extensive rationalisation programme of the past year, Badenhorst pointed to the following achievements:

- The integration of Allied United, Volkskas and Bankorp.
- The divisionalisation of all wholly owned banking interests as trading divisions within Absa Bank.
- The restructuring of all non-banking financial services in a single, cost-effective financial services group.
- The transfer of banking business of each former banking group to appropriate divisions within Absa Bank.
- Integration of the head office and regional office activities of the four major retail banks.
- Integration of Allied's and United's computer, banking and operating systems, phase one of the planned integration of all the retail commercial banking systems.
- The centralisation and rationalisation of common support services and technology.
- Co-ordinated and improved risk management.
- Integrated asset and liability management.

The future focus would fall on quality client service, the establishment of single computer banking systems, sustained profit improvement and controlled asset growth.

Chairman Herc Hefer said the staff retrenchment programme was now virtually complete.

"Considerable attention continues to be focused on building morale and welding the management and staff of merged organisations into a cohesive team."

Absa's full-year 12 percent increase in per share earnings compares with FNB's 20,3 percent for the six months to March and Nedcor's 13 percent for the same period.

The higher dividend yields 4,6 percent at the ruling share price versus FNB's 2,6 percent, Nedcor's 2,8 percent and Stanbic's 2 percent.

With much of Absa's rationalisation process now behind it, there should be some scope for a rerating of the share.

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ABSA Amalgamated Banks of South Africa

(Reg No 86/03934/06)

(58)

BDM 8/6/93

Chairman's review

It gives me great pleasure to submit to shareholders this report on your Group's activities and results for the year ended 31 March 1993.

The past year has been a watershed for Amalgamated Banks of South Africa Limited ("ABSA"). Managing the merger of the four principal entities forming the Group in a period of prolonged economic recession has been extremely challenging to both management and staff. Despite these difficulties, significant progress has been made and ABSA has attained commendable results.

It seems to me that the future gives reasonable cause for optimism, both for South Africa and your Group. The political situation is steadily improving. Negotiations are back on track with renewed energy and enthusiasm. A realisation has developed among most interest groups that the only way forward is through peaceful negotiations towards a generally acceptable solution.

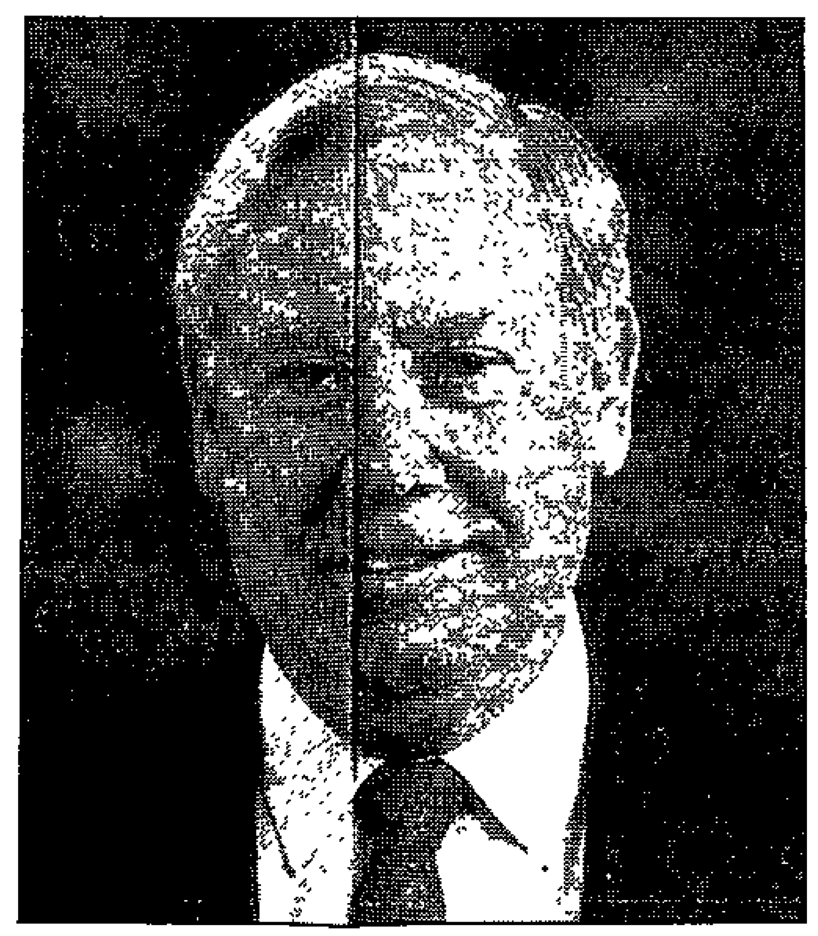
In addition, there is general recognition that the potentially explosive levels of violence cannot continue, and there are moves afoot to bring this under control. The importance of effective and disciplined economic management and the need to restructure the economy are also being recognised by a wider political spectrum. The progress made in recent weeks, despite several setbacks, is indicative of this new desire to make significant progress towards a rapid and equitable settlement. Positive action is needed to relieve the uncertainty, revive the economy and make this country a viable home for all its peoples, and a thriving haven for investment by the international community.

With regard to ABSA, considerable progress has been made in the integration and rationalisation of its interests and operations. Major restructuring has taken place, involving the divisionalisation of Bankorp's trading entities in ABSA Bank Limited ("ABSA Bank"), the integration of head office and regional activities of the major retail banks, and the integration and rationalisation of common support services and technology.

After taking into account debt provisions in subsidiaries acquired by the Group and the charge to the income statement for doubtful advances of R781,4 million, the aggregate special and general debt provisions amounted to R1 866,0 million, representing some 2,9% of gross advances. An ongoing review and standardisation of all credit risk policies and attention to larger exposures, coupled with the current recessionary economic conditions, necessitated a substantial increase in provisions. Although much higher than normal, the extent of the provisions is considered realistic and in accord with the Group's conservative standards.

The Group's ratio of capital to risk-weighted assets at 31 March 1993 was 8,1%, with each banking subsidiary's capital ratio exceeding statutory requirements.

Unfortunately, the reduction in the rate of normal taxation applicable to companies from 48% to 40% became effective only after the end of the financial year of the Company. The imposition of the 15% Secondary Tax on Companies ("STC") requires the Group to make provision for this tax in the financial statements to 31 March 1993 in respect of the final dividend and, under the circumstances, STC has been treated as an extraordinary item. The Group has raised a deferred tax asset in respect of the estimated tax losses available to it following the merger with Bankorp, which will be reduced as tax losses are utilised.



H V Hefer (Chairman)

The increasing burden of unclaimed VAT input costs, which this year amounted to R40,3 million, and the financial services levy (R73,2 million) imposed on banks, have a marked adverse effect on profitability, and consequently on the Group's level of retained earnings. It is grossly inequitable that banks should be subjected to the financial services levy, which in reality, is taxation and, for ABSA this year, amounts to nearly seven percentage points more than its effective income tax rate. The Department of Finance should urgently re-examine the imposition of this discriminatory tax.

Merger with Bankorp

The rationale for and expected benefits of the merger with Bankorp were dealt with at length in the previous annual report and in circulars addressed to shareholders. The integration of Bankorp into ABSA was completed towards the end of the financial year.

All operating subsidiaries and support divisions were merged, and the banking activities of Bankorp were fully integrated in the appropriate operating divisions in ABSA Bank. The trade names of both TrustBank and Bankfin were retained, and all corporate, merchant and international banking activities of the Group have been centralised in ABSA Bank Corporate Division.

By the end of the financial year, the head offices and regional offices of all the retail commercial banks, viz Allied, United, TrustBank and Volkskas, were combined, with each of these divisions continuing to trade under those names. In addition, ABSA Bank now operates five other divisions, namely Bankfin, ABSA Bank Credit Card and Electronic Banking, ABSA Bank Corporate, ABSA Bank Treasury and International Banking and ABSA Merchant Bank. Significant savings have already been achieved through restructuring and rationalisation.

As anticipated in my report last year, the large-scale rationalisation resulted in redundancies and retrenchment of staff at all levels throughout the organisation. Normal attrition accounted for some 50% of the reduction of nearly 5 000 employees.

Disposal of interests in associated companies

As reported last year, the Group's 30% interest in Momentum Life Assurers Limited was sold to Rand Merchant Bank Holdings Limited with effect from 1 July 1992. The Group realised a surplus of R42,8 million in respect of this transaction.

ABSA's 49% interest in Amalgamated Insurance Holdings (Proprietary) Limited was sold to Sage Group Limited on 31 March 1993, effective from 1 October 1992, for R190 million. This transaction realised a surplus of R104,6 million for the Group.

To strengthen the Group's position against unforeseen banking risks, R100 million of the combined surplus has been set aside as a general risk provision and included in internal reserves. The balance of the surplus has been dealt with as an extraordinary item in the financial statements.

Operating environment

Against the background of the extended recession of the past four years, the banking sector experienced another difficult year, although margins improved somewhat. The increase in the M3 money supply slowed considerably from 11,2% a year ago to 5,2% in March 1993, as did the growth in credit supplied by the banking sector to the private sector, from 11,8% to 8,3%. Both the corporate and household sectors are consolidating their debt exposures – the latter mainly using cheaper mortgage credit, and the former making increasing use of the capital market for funds.

The use of commercial paper also became a feature of the South African financial market in the past year. The banking sector will increasingly become involved in securities business as a result of deregulation and technological innovation, which enables the corporate sector to use the capital market to a

Profit and dividend announcement for the year ended 31 March 1993

The audited consolidated results of the Group for the year ended 31 March 1993 are set out below.

As a result of the acquisition of the Bankorp Group on 1 April 1992, comparison of the figures in the financial statements with those of the previous year

...ments and changes were made. These changes and those still to be made will generate substantial and enduring savings in operating costs, and provide a platform for increased efficiency and profitability. The most traumatic aspect of rationalisation, viz the reduction of staff, is now virtually complete. The building of morale and the welding of the management and staff of the merged organisations into a cohesive and dynamic team has commenced, and this process will add considerably to the Group's ability to produce sound financial results and improved growth.

Financial results

Net income attributable to shareholders (before extraordinary items of R32,7 million) amounted to R683,8 million. As the 1992 income statement includes the results of ABSA prior to the acquisition of Bankorp Holdings Limited ("Bankorp") with effect from 1 April 1992, comparison of the figures with those of the previous year is not meaningful.

Earnings per share on the full number of shares in issue following the merger with Bankorp, viz 565 838 966, rose by 12,3% from 107,6 cents to 120,8 cents.

A final dividend of 26,5 cents was declared, bringing the total dividend for the year to 43,5 cents, an increase of 10,1% over the 1992 dividend of 39,5 cents. This dividend is covered 2,8 times by earnings (1992: 2,7 times).

Each activity contributed to attributable income as follows:

	1993		1992	
	Rm	%	Rm	%
Banking	**493,7**	**72,2**	313,8	63,9
Insurance	**153,6**	**22,5**	129,4	26,3
Other	**36,5**	**5,3**	48,2	9,8
	683,8	**100,0**	491,4	100,0

With the inclusion of Bankorp with effect from 1 April 1992, the total assets of the Group amounted to R82,5 billion at 31 March 1993.

The acquisition of Bankorp was financed through the issue of 109 173 238 ordinary shares in the Company at a price of R11,25 per share, giving rise to a share premium of R989,9 million, net of expenses.

The application of ABSA's more conservative accounting and provisioning policies and practices to Bankorp resulted in the price paid exceeding the value of the net assets of that group by R288,8 million. Subject to the approval of the shareholders by special resolution at the forthcoming annual general meeting of the Company and the confirmation of the Supreme Court, it is proposed to write off this amount against the share premium account. The proposed write-off has been given effect in the financial statements for the year ended 31 March 1993.

Group income statement

	Year ended 31 March 1993 Rm	Year ended 31 March 1992 Rm
Interest on advances	**10 965,2**	7 990,4
Income from investments	**1 440,2**	955,1
	12 405,4	8 945,5
Interest payable	**(8 720,8)**	(6 766,8)
Net interest income	**3 684,6**	2 178,7
Bad and doubtful advances	**(781,4)**	(450,6)
	2 903,2	1 728,1
Other operating income	**1 828,5**	1 125,7
Operating income	**4 731,7**	2 853,8
Operating expenditure	**(3 648,3)**	(2 184,2)
Net income before taxation	**1 083,4**	669,6
Taxation	**(446,1)**	(199,8)
Net income after taxation	**637,3**	469,8
Share of associated companies' retained income	**47,6**	22,9
	684,9	492,7
Attributable to outside shareholders	**(1,1)**	(1,3)
Net income before extraordinary items	**683,8**	491,4
Extraordinary items (note 1)	**32,7**	–
Net income attributable to shareholders	**716,5**	491,4
Dividends	**(246,1)**	(180,4)
Retained income for the year	**470,4**	311,0

Group balance sheet

	31 March 1993 Rm	31 March 1992 Rm
Funds employed		
Share capital and share premium	**2 791,3**	1 871,8
Reserves	**2 141,2**	1 302,0
Shareholders' funds	**4 932,5**	3 173,8
Outside shareholders' interests	**30,9**	3,5
Insurance funds	**361,3**	341,6
Deposits and current accounts	**71 335,8**	48 858,0
Other liabilities	**2 321,7**	1 559,1
Liabilities to clients under acceptance	**3 507,9**	2 284,2
	82 490,1	56 220,2
Employment of funds		
Cash and short-term funds	**2 722,2**	1 908,0
Advances	**63 277,1**	42 170,2
Investments	**8 438,9**	6 916,5
Associated companies	**215,5**	293,1
Fixed assets	**1 903,5**	1 139,4
Other assets	**2 425,0**	1 508,8
Client liabilities under acceptance	**3 507,9**	2 284,2
	82 490,1	56 220,2
Guarantees and letters of credit	**3 704,8**	3 101,6

Salient features of the Group results

	31 March 1993	31 March 1992
Number of shares in issue		
at 31 March	**565 838 966**	456 665 728
upon which earnings per share is based	**565 838 966**	456 665 728
Earnings per share (cents) (note 2)	**120,8**	107,6
Dividend per share (cents)	**43,5**	39,5
Interim	**17,0**	15,5
Final	**26,5**	24,0
Selected ratios		
Return on average assets excluding acceptances (%)	**0,87**	0,95
Return on average shareholders' funds (%)	**14,67**	16,34
Dividend cover	**2,8**	2,7
Net asset value per share (cents)	**871,7**	695,0

Notes

1. Extraordinary items

	Rm
Surplus on disposal of investments in associated companies	147,4
Transfer of portion of the surplus on disposal of investments in associates to internal reserves	(100,0)
Secondary tax on companies	(14,7)
	32,7

2. Earnings per share

Earnings per share is calculated on consolidated net income before extraordinary items, and the weighted average number of shares in issue during the year under review.

Declaration of ordinary dividend No 13

Notice is hereby given that a final dividend of 26,5 cents per ordinary share has been declared and is payable to shareholders registered in the books of the Company at the close of business on 25 June 1993.

The share transfer register will not be closed for purposes of this dividend.

Cheques will be dated 30 June 1993 and posted on or about that date. Non-resident shareholders' tax at the applicable rate will be deducted from dividends payable to any shareholder whose address in the share register is outside the Republic of South Africa.

By order of the board

I C Pretorius
Group Secretary

7 June 1993

Directors

H V Hefer *(Chairman)*, J A Stegmann *(Deputy Chairman)*, W G Boustred *(Vice-chairman)*, P J Badenhorst *(Chief Executive)*, D C Cronjé *(Deputy Chief Executive)*, E M de Blanche *(Deputy Chief Executive)*, A J Botes, L Boyd, D C Brink, M H Daling, G B Dickason, A S du Plessis, J L Pamensky, M J Roux, A P Scholtz, P Steyn, G S Thomas, S W van der Merwe, T van Wyk.

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ABSA Towers (East)
170 Main Street
2001 Johannesburg
(P O Box 260595, Excom, 2023)

Transfer Secretaries
Central Registrars Limited
3rd Floor
154 Market Street
2001 Johannesburg
(P O Box 4844, Johannesburg, 2000)

not only as financial intermediaries but also as agents for their clients.

The development of a commercial paper market has again emphasised the pressing need to level the playing field between banks and securities firms in terms of their capital and liquidity requirements. In essence, securities firms engaged in banking-related business should be subjected to similar capital and liquidity constraints.

Social development

The need for social reconstruction in South Africa has never been more acute, and the business sector has a major responsibility to assist in this process.

However, I believe that the most important contribution that the business sector can make to social upliftment and reconstruction lies not only in allocating financial resources, but in actively encouraging and enabling staff to become involved in community organisations across traditional divides, to share expertise and to build bridges.

Some gratifying results have been achieved in promoting this awareness among ABSA staff and this approach will continue to be pursued in the current year.

Prospects

Prospects for both South Africa and the Group depend largely on the speedy attainment of a political settlement, democratic elections and the successful maintenance of law and order, all prerequisites for any significant economic recovery. Over the past four years, real output in South Africa has fallen by some 3% and the terms of trade have declined by more than 14%. These factors, together with an annual population increase of about 2,2%, have resulted in a decline of 14% in the national per capita income. This situation requires the urgent attention of the government.

General business conditions are expected to remain difficult in the immediate future, but an upswing in economic activity is possible towards the end of 1993. This could enhance the demand for credit to a limited extent. However, until the economy shows a significant recovery, defaulting borrowers will remain a significant issue for banks. Nevertheless, I am confident that attributable profit will improve in the year ahead.

H V Hefer
Chairman

Johannesburg
7 June 1993

ABSA's annual report for the year ended 31 March 1993 will be posted to members on or about 30 June 1993.

The annual general meeting of members will be held at 12:00 on Friday 27 August 1993.

JONSSONS

...night to commemorate Aids victims. The International Conference on Aids is taking place in Berlin until June 11.

Schools normal in Soweto

Sowetan 8/6/93

■ **Sadtu strike is off:**

By Bongani Mavuso

SCHOOLING returned to normal in Soweto yesterday as thousands of pupils and teachers heeded a call by the Soweto branch of the SA Democratic Teachers Union that its members resume duties. Several principals reported a 98 percent student attendance while the Department of Education and Training said attendance was "high and normal".

"Teachers and students turned up in their thousands at schools today and we believe that normal schooling has returned in Soweto schools," said Mr Matakanye. Welcoming Sadtu's call, DET spokeswoman Kim McEvilly said yesterday the department was "happy" that schooling returned to normal in Soweto yesterday. DET Johannesburg regional chief director Mr RR Motau said teachers and students attended school yesterday. "Attendance was high and normal. But we cannot guarantee what happened inside the classrooms," said Motau. Last week, schooling ground to a halt in Soweto when teachers attended meetings called by Sadtu. He said secondary school pupils in Soweto have had no meaningful teaching since the beginning of the year.

Arms seized in raid on camp

■ **WEAPONS SEARCH** 66 arrested in special operation to bring violence to an end:

Sowetan 8/6/93

By Abbey Makoe

SIXTY-SIX people were arrested and a large quantity of arms confiscated when police and members of the SA Defence Force raided the Mandela and Holomisa squatter camps on the East Rand yesterday.

Police described the swoop on the camp as a special operation aimed at bringing violence in the area under control.

It was the third big raid carried out by police after searches for weapons at the Tokoza Hostel and the neighbouring Phola Park squatter camp last week.

More than 80 people have lost their lives in violence in the area during the past four weeks.

Police spokesman Colonel Ray Harrald said yesterday 50 people were arrested on suspicion of being illegal immigrants and 16 were held for being in possession of illegal firearms.

He said four AK-47 rifles were confiscated and several bags and drums containing dagga seized. A home-made gun and large quantities of ammunition, furniture, hi-fi sets, video cameras and clothing, suspected to be stolen, were among items seized.

Three men were also arrested for possession of fake R50 notes.

Harrald would yesterday not disclose the names of those arrested. He said they would appear in court soon.

He estimated the value of the recovered items at hundreds of thousands of rands.

Yesterday's raid started at about 6am when SADF members cordoned off the camp and searched all residents leaving the area.

● *Sapa* reports that Mr Armstrong Nkosi (41) was shot dead by four armed men who entered his house in Vosloorus Extension 10 on Sunday night. The bodies of two other men were found in Katlehong the same night. Both had been shot.

Stocks & Stocks lures JH Isaacs' Kesler

B/Day 9/6/93

PETER GALLI

THE poaching of successful and established property brokers continues to dominate the industry, particularly as activity levels decline in the recession.

Industry sources say successful brokers know their areas well and not only solicit new deals but bring clients with them.

The latest move is by JH Isaacs office leasing and sales director Steven Kesler, who has resigned from the group to head Stocks & Stocks Properties from July 1.

Kesler has spent almost a decade in the property broking and management industry, including six-and-a-half years with JHI.

(58)

He will be responsible for Stocks & Stocks's office, industrial and retail development in the PWV region.

"My move is motivated by the opportunity to obtain exposure in all facets of property development.

"There should be continuing contact with JHI, given the synergies and mutual dependency of brokers and developers," Kessler says.

A JHI spokesman says no direct successor will be appointed to fill in for Kesler, but business unit co-ordinators will be nominated "in due course".

Bad luck, taxes add to Absa's tough year

B/Day 9/6/93

(58)

GRETA STEYN

ABSA has scored badly on the two main criteria for judging a bank's performance — return on assets (ROA) and return on equity (ROE). The challenge now is to make its huge asset base work for its shareholders.

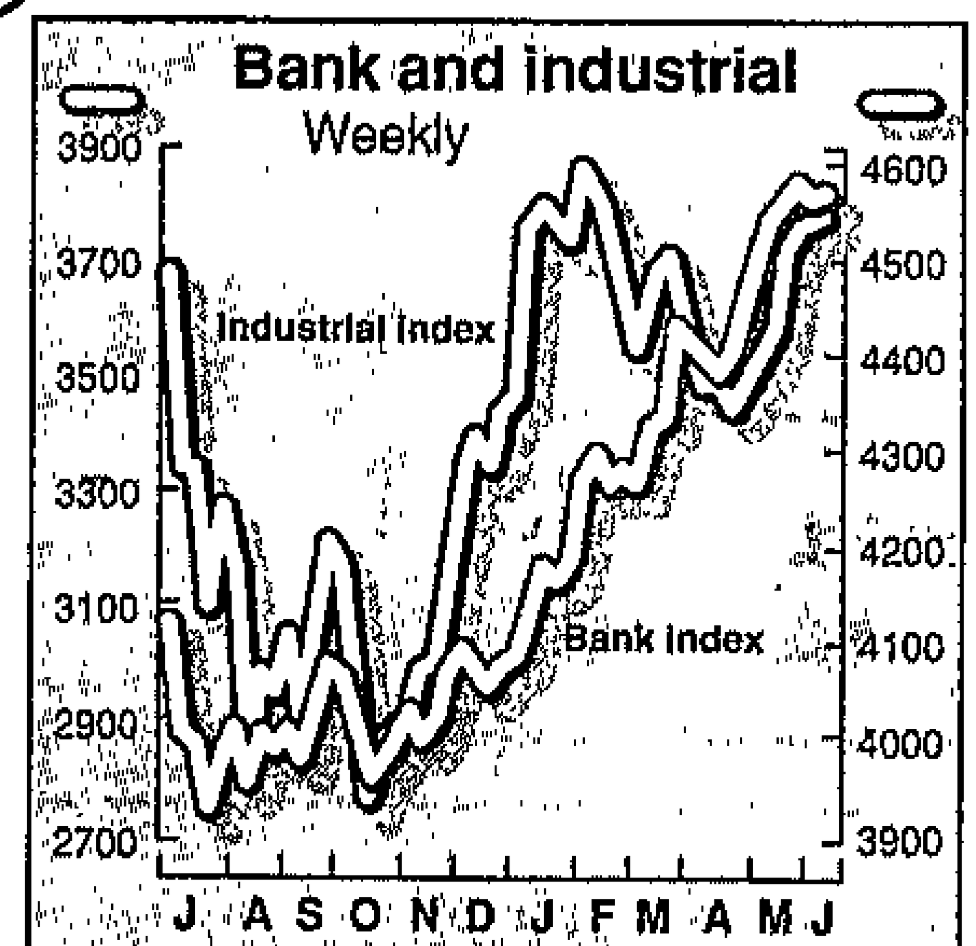
The banking giant's 0,87% ROA for the year to March compares with the 1,4% announced by First National Bank at the interim stage. FNB's ROA rose from March 1992 to March 1993 as the bank continued to improve its performance from sinking below 1% at the end of the '80s. The Standard Bank group's ROA has been above 1% for the past four years.

But Absa's takeover of Bankorp meant some "bad assets" came on to the books. Getting rid of them has so preoccupied Absa that there has been less focus on making the good assets work. A further result has been a signficant reduction in market share. At the beginning of 1991, the combined assets of Bankorp and Absa made up 38,5% of the market, but this fell to 29,9% by the end of March this year.

But CE Piet Badenhorst and his executives will not be judged on this past year's performance. It was an extraordinary year, not only because of the Bankorp takeover, the rationalisation and the bad publicity, but also because of bad luck.

The reduction of the corporate tax rate in the Budget provided a major boost to the banking sector, but Absa missed it because of the March year-end. FNB and Nedcor both benefited substantially from the lower tax rate. FNB also took the benefits of the lower tax rate on its deferred tax provisions into the income statement, and reduced its tax charge by 2,2%.

An analyst said that before the drop in the company tax rate, FNB and Standard would have battled to report a rise in earnings of more than 15%. FNB lifted earnings a share 20% for the half-year to March.



Graphic RUBY GAY MARTIN Source I-NET

Absa did nothing to massage its figures to make them look better — the opposite is more likely. The high tax rate was swelled by a tax equalisation reserve which is not disclosed. It is possible that the tax equalisation reserve was deliberately swelled to "take the full knock" in the 1993 financial year. Similarly, the huge bad debt charge could also be a sign that 1993 will be the worst. Possibly this is what Badenhorst meant when he said the results were "conservative.". The stage is set for a signficant improvement in earnings and ROA, and whether Absa makes the grade will be a question of management.

The sector as a whole has been rising at a faster rate than industrials, as banks are counter-cyclical stocks. From a low of 2 708 last July, the banking index climbed more than 40% to peak at 3 855 towards the end of May. It has since come off its highs, closing at 3 807 yesterday.

Absa shed 20c to close at 925c yesterday.

Guidelines given to mutual banks

B/Day 9/6/93

TIM COHEN

CAPE TOWN — Legislation which will provide a statutory framework for mutual banks and prescribe prudential requirements similar to those of existing equity banks was tabled in Parliament yesterday.

The legislation, the Mutual Banks Bill, provides that the services to be offered by mutual banks should correspond to those offered by existing public company banks.

The Bill proposes that the same standards of management expertise and prudential provisions maintained by equity banks should be applicable to the proposed mutual banks. (58)

According to the Bill's explanatory memorandum, it is envisaged that the mutual character of the proposed institutions and the greater accessibility to membership will encourage active participation and involvement by client-members in the welfare of the mutual banks.

The prudential requirements, such as minimum capital and reserves and liquid asset requirement which conform to a great extent with those applicable to equity banks, are specified in the Bill.

The Bill provides for the automatic registration of the two remaining permanent building societies, the Eastern Province and Grahamstown building societies, as mutual banks.

A mutual bank would have to manage its affairs in such a way that the sum of its share capital and reserve funds did not amount to less than R10m or R1m in the case of existing mutual building societies.

The Bill requires that mutual banks have minimum liquid assets of not less than 20% of liabilities.

The Bill's memorandum says the main

□ To Page 2

Guidelines

B/Day 10/6/93

□ From Page 1

feature distinguishing mutual banks from existing equity banks lies in their corporate constitution, which provides that membership results from investment in non-equity types of shares. (58)

The Community Banking Project team, Eastern Province and Grahamstown building societies, the Savings and Co-operative League of SA, Teba Savings Fund, the National Stokvels Association of SA, Metropolitan Housing Finance Co-operative Ltd, KwaZulu Finance and Investment Corporation Ltd, SA Housing Trust Ltd and Independent Development Trust Finance Corporation had been approached for comment.

Life assurers block change in controls

Buss. Day

GRETA STEYN 9/6/93

THE major life assurers had blocked plans to give the Financial Services Board (FSB) wider powers over financial institutions, industry sources said yesterday.

Amendments to legislation governing financial institutions tabled in Parliament last week excluded the proposal to replace the Finance Minister with the FSB as the ultimate holder of responsibility for regulating financial institutions. Sources said strong resistance from the industry resulted in a last-minute decision by government to scrap the amendment. A misunderstanding between the FSB and the industry about the significance of the change had almost resulted in it being tabled.

A spokesman for the FSB yesterday confirmed the amendment had been dropped.

It is understood the industry objected to the FSB taking control of policymaking, and also wanted to retain accountability to Parliament.

(58)

Sources said the plan to turn the FSB into a "super regulatory body" — keeping an eye on companies, close corporations, the life and pensions industry, banks and building societies — was hanging in the balance. In April, the Melamet committee recommended that such an independent statutory body be created.

Deputy Finance Minister Theo Alant said yesterday that while government had not yet accepted or rejected the concept of a super regulatory body, other ways of implementing a holistic approach to financial supervision had been identified for consideration. A recommendation would be made to government.

He added that comment received on the Melamet report had led to a reconsideration of the practical implementation of some of its recommendations.

Alant said the recommendations represented a dramatic change to the status quo and consultation would be necessary be-

□ To Page 2

Assurers

(58)

□ From Page 1

fore legislation could be tabled in Parliament. "Unfortunately it was not possible to have meaningful consultations before the end of the present session of Parliament."

When the Melamet report was released, expectations were that changes would be made to put recommendations into practice in the present parliamentary session.

One of the controversial recommendations was the inclusion of companies under the FSB's jurisdiction. The idea was to regulate companies' debenture issues in the wake of the Masterbond collapse. However, analysts said applying financial supervision to companies would be impractical.

It is understood that banks have expressed the desire to retain a distinction between themselves and other financial institutions. Speculation is that different regulatory bodies would be retained, but that an umbrella body could be created to co-ordinate efforts.

RMB sells RCP to Momentum

58 CT 9/6/93

From PETER GALLI

JOHANNESBURG. — RMB Holdings has sold its subsidiary Rand Consolidated Properties (RCP) to Momentum Life Assurers in a multimillion-rand deal. The renamed company, RMB Properties, will manage Momentum's R1,2bn property portfolio.

Momentum Life MD Niel Krige declined yesterday to disclose the value of the deal, which would be based on net asset value of RCP at the year-end, but said it amounted to "quite a few million".

"The transaction will have no material effect on the earnings a share or net asset value a share of either RMBH or Momentum Life as RMBH holds 76,8% of Momentum, which in turn will hold 100% of RMB Properties," he said.

Momentum Life Properties (MLP), which currently administers the group's property portfolio, would become dormant. MD Bryan Jackson said MLP had retrenched staff last year and there would probably be more retrenchments.

Momentum Life chairman Laurie Dippenaar said major improvements had been made over the past year in the management of the existing property portfolio.

Jackson said: "About 63% of Momentum's portfolio is in the commercial market, with 26% in retail and 11% in industrial property. We also have about R200m invested in variable loan-stock companies Hyprop and Abcon. We have been aggressively cleaning up the portfolio for three years, where more than R250m worth of our properties have been sold and others bought."

Its focus would remain on low-risk, decentralised commercial properties.

BiDay 9/6/93

New futures-linked fund

LINDA ENSOR

CAPE TOWN — A new futures-linked fund has been launched by Seeff Trust, stockbrokers Simpson McKie, Computrak and Futures & Options Trading.

The Investment Guaranteed Futures Fund would allow the ordinary investor to participate in index futures without placing his original investment at risk, Simpson McKie derivatives director Chris Niehaus said yesterday. The investors' capital would be combined to permit individual access to the futures market.

The structure of the fund was such that the investor could choose his own level of risk management from 100% secured to full exposure. (58)

Momentum in RMB deal

Buss. Day 9/6/93

PETER GALLI

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Momentum Life chairman Laurie Dippenaar said major improvements had been made over the past year in the management of the existing property portfolio.

The new company's mandate was to assemble a high-quality property portfolio and attempt to ensure maximum returns on a consistent long-term basis.

It would be the sister company to RMB Assets Management, which managed Momentum Life's non-property assets.

Jackson said: "About 63% of Momentum's portfolio is in the commercial market, with 26% in retail and 11% in industrial property.

"We also have about R200m invested in variable loan-stock companies Hyprop and Abcon.

(58)

"We have been aggressively cleaning up the portfolio over the past three years, where more than R250m worth of our properties have been sold and others bought," Jackson said.

Its focus would remain on low-risk, decentralised commercial properties.

Absa forks out millions on staff morale

Buss Day 4/6/93

GRETA STEYN

ABSA yesterday told staff members they would each receive R500 in cash to compensate them for the "trauma" of the past year of rationalisation and bad publicity.

Spokesman Jan Snyman confirmed the banking group had decided to pay out a special bonus to all staff members up to senior management level. "We felt it would be a positive gesture after satisfactory results and a period in which many suffered personal trauma because of all the upheavals." The company would shoulder the tax burden, he said. (58)

Analysts said Absa would pay out about R20m to buy staff morale, which was obviously low in a climate of retrenchments.

The announcement of the special bonuses was made on M-Net's business broadcasting station, which Absa has been using regularly.

CE Piet Badenhorst made the announcement in a live broadcast which could be watched in Absa branches.

Absa's staff numbered 38 738 at the end of the March financial year, compared with 43 714 at the beginning of the year. The drop of almost 5 000 in staff numbers was split equally between retrenchments and "natural attrition". Absa said 75% of retrenched staff who needed assistance were successfully placed.

Figures provided with Absa's annual results showed its assets per staff member were among the highest in the sector, while its income per staff member was the lowest of the "big four" banks.

1

Millions to tackle low-income housing

B/Day 9/6/95

ANDREW KRUMM

THE National Housing Forum (NHF) and the Housing Department are expected to disburse a R500m government housing grant within weeks, part of which will be used to lever private sector funds into the low-income housing market.

The R500m was allocated to the NHF in the recent Budget. Sources said while some funds would go to direct housing susidies, part of the R500m would be used as a guarantee to underpin efforts to mobilise institutional funds for the development of low-income housing.

The sources, however, could not specify what amount this was likely to be. "The NHF and Department of Housing are close to a decision on the issue, and will come up with a recommendation on how the funds are to be spent within weeks."

One commentator said: "In theory, a substantial government guarantee could stimulate enough private sector investor momentum to unlock billions of rands, which would substantially reduce the housing backlog."

"Renewed institutional and other interest in low-income housing will depend largely on the investment instruments available."

However, SA Building Industries Federation (Bifsa) executive director Ian Robinson said it was likely that a suitable investment instrument would emerge shortly.

Bifsa had recently asked the Fedsure Group for assistance in the design of a capital market instrument to appeal to prospective institutional investors in the low-income housing market, he said. 58

Fedsure deputy GM Dennis Paizes said Fedsure had subsequently called in Investec Merchant Bank. Investec Merchant Bank senior manager Christos Diakoyannis confirmed that they had been asked to investigate the viability of such an issue.

Warning that feasibility studies were at a tentative stage, Diakoyannis said "the idea is to create an instrument acceptable to the investment community, which will offer investors a market related return".

Investec would be considering all possibilities to see whether some form of a "housing bond" was viable, he said.

"I must emphasise, though, that we have not found a solution yet, and are brainstorming on the issue," he said.

The CHAIRMAN OF THE MINISTERS' COUNCIL:

The answers to (a), (b) and (c) are no.

It appears that the former Ministers' Council, which during 1991, dealt with the matter, did not follow up its initiatives as indicated in the answers given previously, during its term of office which terminated during February 1993.

In view of the reassignment of portfolios to the members of the present Ministers' Council together with the concomitant relatively severe re-organisation of duties and the myriad of inherited problematic issues, which the responsible Ministers have had to deal with, this particular issue has not received any attention thus far. Nevertheless, now that the matter has been raised with me, I will pursue the matter regarding the second access road to Chatsworth with the relevant authorities.

Mr T PALAN: Mr Speaker, arising out of the reply of the hon the Chairman of the Ministers' Council, is he aware that as time drags on the accident rate on Higginson Highway is increasing at an alarming rate? According to the available records, there were 644 accidents in 1989, resulting in 14 fatalities and 115 injuries. This rate is showing an alarming increase every day. I think the hon the Chairman of the Ministers' Council should give this matter urgent attention. He should not wait for MPs to raise matters, but should take them up from where others have left off.

Mr A RAJBANSI: Mr Speaker, further arising out of the reply of the hon the Chairman of the Ministers' Council, in view of the fact that he has indicated that his colleagues had to attend to a myraid of problematic issues, and that he will give the matter his attention since it has been raised now, has he considered the importance of this particular issue in order to give it priority? Secondly, does he function like a football, that moves only when it is kicked?

The CHAIRMAN OF THE MINISTERS' COUNCIL: Mr Speaker, the question of the second access route to Chatsworth is a matter which should have been resolved ages ago. It is, in fact, shameful that it has not been resolved. I have been involved in this issue at provincial level—this was more than 10 years ago—and I believe that it must be resolved. I intend giving the matter my attention.

Mr M RAJAB: Mr Speaker, further arising out of the reply of the hon the Chairman of the Ministers' Council, is he prepared to give this House an undertaking that he will resolve this issue within a specified period of time? [Interjections.]

The CHAIRMAN OF THE MINISTERS' COUNCIL: Mr Speaker, I chose my words carefully. I shall try, and try I certainly will.

Ministers:

Social upliftment: funds obtained through insurance company

*1. Mr M F CASSIM asked ~~the~~ Minister of Welfare: 58

(1) Whether ~~his~~ Department recently obtained funds for social upliftment through a certain insurance company, the name of whch has been furnished to the Minister's Department for the purpose of his reply, below the market interest rate; if not, what is the position in this regard; if so, (a) when, (b) what is the name of the company in question, (c) what amount and (d) under what conditions;

(2) whether he will make a statement on the matter? D283E

The DEPUTY MINISTER OF WELFARE:

(1) No—not applicable.

(a) falls away

(b) falls away

(c) falls away

(d) falls away.

(2) No.

Mr M F CASSIM: Mr Speaker, arising out of the hon the Deputy Minister's reply, I wish to ask why, if money is available for social upliftment at below market rates, the Ministry is not taking advantage of that?

The DEPUTY MINISTER: Mr Speaker, if I remember correctly the hon member posed this question to the Ministry of Housing. He has now posed it to the hon the Minister of Wel-

fare. Perhaps next week he will pose it to the right Minister. 58

Vacant plots in Heathcote Rd, Durban: rezoning

*2. Mr T PALAN asked the Minister of Housing:

(1) Whether it is the intention to rezone certain vacant plots in Heathcote Road, Durban, as residential plots; if not, why not; if so, (a) when and (b) how will the land in question be disposed of;

(2) whether this land was expropriated in terms of the Group Areas Act; if not, what is the position in this regard; if so,

(3) whether the said land is to be returned to the original owners thereof; if not, why not; if so, when? D307E

The MINISTER OF HOUSING:

(1) Yes. The land in question is owned by the Durban City Council and was formerly designated a "controlled area" in terms of the now defunct Group Areas Act. Following representations by the hon member, my Department approached the Durban City Council to rezone its land in the Heathcote Road area from its existing "Open Space" zoning to "Special Residential" zoning.

(a) The Durban City Council was approached in March 1991 to consider rezoning its properties as residential plots. The rezoning was advertised and no objections were received. It is expected that the rezoning will be finalized within the next two to three months.

(b) It is understood that the Durban City Council intends offering the rezoned sites for sale by Public Auction.

(2) No. The land was reserved for a "public open space" in terms of a resolution adopted by the Durban City Council on 16 November 1970.

(3) Falls away.

Mr T PALAN: Mr Speaker, arising out of the hon the Ministers' reply, will he concede that, in terms of the announcement made by the hon the State President, land which was expropriated as a result of the Group Areas Act shall now be given back to the original owners if it is still lying idle?

The MINISTER: Mr Speaker, I concede that such a statement was made. Perhaps I should ask the hon member in turn whether he has contacted the relevant authorities, the Advisory Commission on Land Allocation, for example, with regard to this matter. His question falls within the ambit of their activities.

Mr T PALAN: Mr Speaker, further arising out of the hon the Ministers' reply, the Durban City Council is now proposing to sell those residential sites by public tender. That is why I posed this question. Could the hon the Minister not intervene to stop the Durban City Council from proceeding with the sale of these sites by public tender?

The MINISTER: Mr Speaker, I am sure the hon member is aware that that particular property belongs to the Durban City Council. I advised him during the debate on my budget Vote that I was on the verge of making a close inspection of all matters pertaining to the Chatsworth region, and should he require that land for a specific purpose, I shall take another look also at this aspect and take matters from there.

Mr A RAJBANSI: Mr Speaker, further arising out of the hon the Ministers' reply, is he aware that the Advisory Commission on Land Allocation has indicated that it has no power to deal with land such as this? Secondly, is he aware that the Government is getting the necessary authority to deal with municipalities in terms of a draft Bill that has been tabled in Parliament in order to resolve issues of this nature?

The MINISTER: Mr Speaker, I am sure the hon member for Arena Park is fully aware of the circumstances pertaining to this vexed problem which is a problem throughout the country at the moment. The legislation he referred to has not been passed as yet. These are issues that have to be addressed, however, in order to resolve the political situation. I shall address this matter timeously.

cont-d

HOUSE OF REPRESENTATIVES

INTERPELLATION

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

58

Housing: Usury Act/Credit Agreements Act

1. Mr A E REEVES asked the Minister for National Housing:

(1) Whether he or his Department intends approaching the Association of Bankers of South Africa in order to request them to afford persons who have lost their homes under sales in execution another opportunity to acquire a home; if not, why not; if so, what are the relevant details;

(2) whether he will give consideration to recommending the introduction of legislation to amend the Usury Act, 1968 (Act No 73 of 1968), and the Credit Agreements Act, 1980 (Act No 75 of 1980), so as to make it possible to acquire housing at a lower interest rate; if not, why not; if so, what are the relevant details?

C101E.INT

The MINISTER FOR NATIONAL HOUSING: Mr Chairman, in reply to the question by the hon member for Klipspruit West, I want to say in explanation that the matter actually relates to whether we are running a free-enterprise system in this country or not. My reply to the questions he posed is the following.

The granting or withholding of home finance is essentially a free-enterprise business decision based on mortgage lenders' perceptions of risk. Unless a mortgage lender can be satisfied that a prospective borrower, who previously lost his home in execution, is now willing and able to meet his obligations timeously, no purpose would be served by interceding on his behalf. We simply cannot tell a financial institution how to run its business.

In times of economic recession mortgage lenders tend to take extraordinary steps to avoid sales in execution wherever possible. Provided a borrower is able to satisfy the mortgage lender that there are reasonable prospects of his being able to redeem the loan plus arrears within a reasonable period, relief measures such as extensions of time to liquidate arrears, capitalisation or rescheduling may be considered. Sales in execution are normally considered as a last resort, and only in instances in which the borrower is clearly unable to meet his obligations, or when there is a risk of overcapitalisation.

When interest rates on mortgage loans rose sharply to a figure of 17% per annum in 1989, the Government introduced a scheme to encourage mortgage lenders in deserving instances to assist borrowers experiencing difficulty in meeting their loan commitments. Since then, however, mortgage interest rates have stabilised at a much lower rate of below 16% and the need for Government guarantees in such instances has therefore fallen away, with the result that the scheme was withdrawn with effect from 1 April 1993, except for existing commitments.

The De Loor Task Group on national housing policy and strategy has proposed insurance cover as a means of reducing the risk of nonpayment of mortgage loan commitments during periods of unemployment, and I would gladly clarify that matter later on if the House would like that. This proposal is being further investigated as part of the negotiating process to reach the broadest possible consensus on a new national housing policy and strategy.

In the light of that and in reply to the second part of the question, interest rates are, generally speaking, market-related. They are not controlled. They function within the framework of economic and monetary policy. In fact, mortgage interest rates are not fixed statutorily as suggested by the interpellant, and the legislation referred to falls under the auspices of the Department of Finance.

Mr A E REEVES: Mr Chairman, first of all I would like to congratulate the hon the Minister on his appearance in this House and his appointment.

We know that a lot of people have become unemployed because of the problems in our country. If one deals with the people on grassroots level daily, it becomes clear that these people are not given a fair chance to pay off their arrears. These people's houses are disposed of in sale of execution. All I am asking, first of all, is that these people be removed from the credit bureaus' blacklists which prevent them from ever buying a house again, even if they are in a better financial position than they were when they bought their first house.

In the second place, if a person can buy a motorcar for R60 000 and pay if off over four years, what prevents him from using the same system to buy a house and pay it off over eight years. The compounded interest is causing havoc among the people. [Interjections.] If one looks at the non-White community—unfortunately we still have to refer to them as such—it becomes clear that these people were thrown in at the deep end when it came to the buying of houses. If these people become unemployed it is difficult for them to purchase a house or to continue paying for a house that they have purchased.

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If we are serious about solving the housing crisis, and I am sure we all are, we will have to take a serious look at these two proposals. We may modify them, but let us find ways and means of accommodating the people we so much want to accommodate

I think the days are past when all we felt we had to do was say that we were worried about the homeless and those living in squatter camps. Let us do something about the problem. Let us find ways and means of housing these people, because that would solve 90% of South Africa's problems.

*Mr J DOUW: Mr Chairman, I want to associate myself with the hon member for Klipspruit West in congratulating the hon the Minister.

We in this House are all in favour of a free-market economy. In this case we are distressed about the millions of homeless people in this country who, as a result of the past we would rather forget about, were never really in a position to acquire a roof over their heads.

What the hon member meant, was that some kind of agreement should be reached by the department and the Government in particular, which should be similar to that which Sanco agreed to with a specific financial institution in this country. It is unacceptable to refer to a market-related rate at a stage when our economy is in such a poor state. These homeless people are mostly not in a position to look after themselves. We feel they should be assisted in terms of some kind of sliding scale. We are pleased that this particular hon Minister has replied to this interpellation because of his involvement in the National Housing Forum. I should like to think that he empathises with those who are homeless. The majority of these people are victims of a system which has disadvantaged them. All we are asking, is that there should be enabling action on the part of the Government in order to assist these people.

Mr A ISMAIL: Mr Chairman, I wish to congratulate our new hon Minister on his appointment.

Basically I have only two questions to ask the hon the Minister. Firstly, in the case of immovable property we use a system of compound interest rates in this country. This means that a person buying a house will, over the first 10-year period, in the case of someone paying off a mortgage bond, basically pay only interest.

Today one can buy a motor vehicle—in this respect I agree with the hon member for Klipspruit West—for the same amount of money, but because it is moveable property, one pays a simple interest rate, and the amount is repaid over a much shorter period—five or perhaps six years.

I would like to ask the hon the Minister if we could not investigate the possibility of also making home mortgage bonds available at a simple interest rate.

Mr A E REEVES: Mr Chairman, I want to thank the two hon members for supporting me.

There is one thing one notices when one goes back to the townships in which we live, namely that housing is the most important item which needs attention. We are not addressing the housing crisis in South Africa. As has been said, there are many people who can afford to buy a motor car costing up to R100 000, but who are living in a squatter camp because they cannot afford a house owing to the fact that they would have to pay compound interest on the mortgage bond.

Even if we have to find new methods to deal with first-time home-buyers in order to allow them to buy a house in the same way as one buys a motor car, it has to be done. Such a person could then revert to the present system when he bought his second house.

It is important that we in South Africa should

Cont'd

address the housing problem. If we do not do so, we are going to have continuous political unrest, no matter who the Government of the day is. If one has a person living in a house and he is stable, one will automatically have a stable family and thus a stable community. SS

We are going to have to address this problem in the future.

The MINISTER FOR NATIONAL HOUSING. Mr Chairman, let me start off by saying that I do not think there is any difference of opinion between any of the speakers in this Chamber and me, or indeed, between any speaker and the Government, concerning its policy on this matter. No one could take the housing problem and the housing need more seriously than we, in fact, do.

Hon members will know that I am new to this portfolio and that I come from a background of finance, and indeed this question is one of finance. For my purposes I believe that the most important function that we have to carry out in solving the housing crisis is to solve the problem of connecting the finance which lies in the private sector, with the needs which lie on the user side.

One cannot expect—no one anywhere in the world does—that the Government should provide all the finance for housing. Unfortunately, with certain classifications of housing this has been necessary, and there will be continual budgeting for this purpose. Indeed, the increased budget for this year was an indication of the Government's determination to be of assistance. The only way in which this kind of finance can be found for housing on the required scale is to provide substantial gearing from the private sector. One cannot, however, expect the private sector to be helpful in this matter unless one supports the private sector system. One has to create a system in which there is reciprocal benefit.

I am quite positive and confident that we will find a system for utilising substantial funds available in this country for housing, as long as there is a responsible attitude towards meeting the obligation. Where obligations cannot be met, we will do our utmost to see what can be done to alleviate the problem. We indeed do have discussions on this matter; in fact, within my first week here I had discussions with the Association of Mortgage Lenders to make it clear to them that their job was no longer to provide houses only for the rich, but to provide houses for those people in greater need than the ones who have historically obtained finance in this country.

In doing so, I am quite satisfied that we will find a nexus which enables us to deal firstly with those people who are employed, secondly with those who are less employed, and eventually with those for whom affordability is a problem, and in their case we will have to find some system of ensuring that they are able to meet their commitments in one form or another, in order to prevent the repossession of homes.

The CHAIRMAN OF COMMITTEES: Order! On that wonderful note of hope I want to welcome the hon the Minister on behalf of this House for his short maiden appearance in this House. It is, however, a pity that it was of such short duration because we would have loved to hear more from him. May God bless him and bestow upon him the wisdom that is needed for the task that has been put on his shoulders.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

State President:

State President/Nelson Mandela: discussions on education

†1. Mr S S OOSTHUIZEN asked the State President:†

(1) Whether he and Mr Nelson Mandela held discussions on education recently; if so, when;

(2) whether the recent events concerning the Department of Education and Culture of the Administration: House of Representatives were a point of discussion during these negotiations; if not, why not; if so, (a) why and (b) what was the purport of the discussions on this matter;

(3) whether the Minister of Education and Culture of the House of Representatives took part in these discussions; if not, why not; if so, to what extent;

(4) whether any steps to solve the problems surrounding the above-mentioned Department were decided upon during these discussions; if not, why not; if so, what steps? C116E

†The STATE PRESIDENT:

(1) Yes, on 19 and 20 May 1993.

(2) No, not specifically. The discussions took place at the request of Mr Mandela and points raised by him were discussed One of the points was the retrenchment of CS educators. The discussion dealt with the principle of the matter and was not directed at the events in the Department of Education and Culture: House of Representatives, although they were mentioned.

(3) No. Mr Mandela led a small delegation and thus the Government's delegation was also small. Only Ministers with a direct line-function involvement in the principles and other matters on which in-depth discussions were anticipated, were asked to participate.

(4) No joint decisions were taken during the discussions. Regarding the retrenchment of CS educators, I have indicated that all steps which have already been decided upon will go ahead.

†Mr S S OOSTHUIZEN: Mr Chairman, the hon the State President said rationalization was not specifically a point of discussion during these discussions. However, he went on to say that the question of rationalization was indeed raised to some extent. Arising out of his reply I want to ask him why the hon the Minister of Education and Culture in the House of Representatives had no part in these discussions, because rationalization was in fact raised to some extent. Do we have a case here of decisions being taken for and on behalf of this Ministers' Council, and it only being left to the Ministers' Council concerned to carry out such decisions?

†The STATE PRESIDENT: Mr Chairman, I have been noticing for quite a while now that the LPSA is trying to draw poison from this situation and to create the impression that we in the NP are not giving equal recognition to colleagues in the executive authority who come from the house of Representatives. Nothing is further removed from the truth than that. [Interjections.]

I regularly see people. On the basis of my anticipation of what will be discussed, I ask Ministers to be present when I see people. I do not want to waste the time of my Ministers. When a matter is to be discussed and the expertise and experience of a Minister are needed, I call him. When I spoke to Sadtu the hon the Minister of Education and Culture was present When there were problems my door was open and the hon the Minister of Education and Culture, the hon the Chairman of the Ministers' Council and the hon the Minister of National Education and I sat together and conferred at length on how we could handle the problem.

I do not want to discuss the merits of the retrenchment in the House of Representatives now. However, I want to assure hon members that there was the closest co-operation between the hon the Minister of Education and Culture in the House of Representatives, the hon the Chairman of the Ministers' Council and myself on the matter.

The discussion between Mr Mandela and myself for most of the time focused on the other demands that had been made Contrary to what was suggested to have happened, we did not make any real concessions on that day in regard to our views. We discussed the examination fees for a long time At the end of the discussions I took a specific view in this regard.

The discussion focused mainly on the problems in Black education That is why the hon the Minister of Education and Training was present. I reject the accusation and insinuation that full and equal recognition is not being given to office-bearers in this House regarding matters falling under their authority.

†Mr C J G LEANDER: Brown politics.

†The STATE PRESIDENT: As regards Brown politics, we in the NP no longer talk about Brown politics. [Interjections.] We are a non-racial party. We do not have first and second class members. We only have NP members in the NP.

Cont

B/Day 9/6/93

Odyssey and Frohlich organise a share swap

PETER GALLI

IN WHAT amounts to a share swap, the Odyssey Group has acquired a 100% stake in Rolf Frohlich Construction (RFC), while RFC MD Rolf Frohlich has acquired a one-sixth interest in Odyssey.

The parties would not disclose the value of the deals, which are effective on June 30, but RFC reported a turnover of R36m in 1992. It was involved in the construction of 11 Diagonal Street and the Carlton Court.

Odyssey's acquisition of RFC is designed to spearhead its move into commercial property development.

Odyssey, which is the holding company for RCI Southern Africa, holds a number of property assets.

Odyssey director Kevin Rawnsley said the group was looking for development opportunities in the commercial market, and the tie-up with RFC would assist in this.

Frohlich said: "The emphasis of the enlarged group will be on developing and constructing high-quality commercial buildings in and around Johannesburg and the Sandton CBD".

(58)

The R200m Odyssey Group and its associates have been involved in residential property developments through board member and property developer Frank Brick, founder of Original Homes Estates, Abcon and the listed Abcon Property Trust.

Odyssey director and RCI chairman Bruce Ravenhill said the group would now have two major thrusts: the services division, which includes timeshare exchange organisation RCI, and the investment division.

Property valuation risks

BDay 9/6/93

PETER GALLI

MANY established property valuation methods could be creating a potential minefield of problems for local business, says RMS Syfrets valuation head Peter Parfitt. (58)

The fact that company directors are allowed to value their own properties without calling in a professional valuer is cause for concern, he says.

"With the rise in company liquidations and the possibility of new tax legislation, the ramifications of subjective property valuations can be extremely serious for business and its shareholders."

Independent professional property valuation is more important in these recessionary times than ever before, says Parfitt. The fundamental investment principles are an increase in value and return on capital, but the determination of these principles for property is not so simple.

Most companies tend to concentrate on short-term returns while failing to apply the same degree of scrutiny to property, often their biggest asset.

"Accurate property valuation is essential because it is the means whereby a property's performance can be rated. It is also used to establish insurance values," he says.

While a company's short-term results might reflect profitable growth, its asset base — in real terms — could be eroding.

"The fact that this is eroding the short-term profitability of the company is often realised only when it closes its doors and shareholders find themselves with an empty shell," Parfitt says.

"It is an unfortunate fact that directors' valuations are one of the ways in which a company's asset base can be distorted. More often than not the property assets are not subject to audited scrutiny.

"The dangers of this have been highlighted recently by the collapse of organisations that have reflected their supposed strength on paper by means of hugely exaggerated self-valued properties," he says.

SA Institute of Valuers Transvaal executive member Rodney Timm agrees, saying the problem with having director value their own property is that they do not have the skill, they may have reason to distort the figures and it is difficult for them to be objective when they are personally involved.

"The situation where directors are legally allowed to value their own properties needs to be addressed and we are working on this," Timm says.

Cheap banking on the way

□ Bill to launch 'savings and loans' network

BRUCE CAMERON, Business Staff

58 ARG 10/6/93

ALL South Africans will have better, cheaper access to banking under new laws that could eventually bring informal financial schemes such as stokvels into the formal sector.

The proposed legislation follows widespread criticism of banks for excluding low-income groups by levying unaffordable charges on deposit and loan accounts.

The Mutual Banks Bill, tabled in parliament yesterday, could result in a string of small new banks across the country, providing basic, affordable banking.

At the same time, the Reserve Bank is taking steps to "legalise" stokvels and credit unions, whose status has been interpreted as being in contravention of the Deposit Taking Institutions Act.

Regulations will be published later in the year to normalise the position of the savings clubs.

The Bill paves the way to a new banking structure similar to the savings and loans institutions in the United States.

Unlike the major banks, the proposed mutual banks will be owned by their members.

Tough warning

The established banks have been widely criticised for the way in which they are structured and for their fee and lending policies. There have been repeated accusations that they exclude low-wage earners and the less privileged.

The criticisms culminated in a tough warning from the ANC to "restructure or be restructured".

The new banks that the legislation will spark will reach into areas, such as the homelands, that have no banks. They could be one-branch institutions or have a network of branches.

However, bankers said today that the mutual banks would not spring up overnight because of the lack of expertise.

A Reserve Bank spokesman said many credit unions and eventually the stokvels could convert into mutual banks as their level of sophistication grew.

The draft legislation has taken account of proposals of the Community Bank Project, which was initiated by the existing banks to find a way of providing less sophisticated and cheaper banking.

A memorandum with the Bill says the mutual banks will fall under the same controls as existing banks.

From the legal point of view, "the primary feature distinguishing the proposed mutual banks from the existing equity banks" would be that people could invest in non-equity shares in the mutual banks.

The system will allow members of mutual banks to save and borrow more easily and at better rates, without the banks having to provide profits to shareholders.

The remaining two mutual building societies, Eastern Province and Grahamstown, will be able to convert to mutual banks.

The mutual banks will fall under the control of the Registrar of Banks.

A wide range of organisations from the Community Banking Project to the National Stokvels Association and the Savings and Credit Co-operative League of South Africa was consulted about the Bill.

Merchant banks hold talks with RB

CT 16/6/93 (58)

From GRETA STEYN

JOHANNESBURG. — Merchant banks — hard hit by recent changes to banking legislation — are holding discussions with the Reserve Bank in the hope that they can convince the Bank to modify the new rules.

The changes, which increase expensive cash reserve requirements, are bad news for the smaller trading banks such as Rand Merchant Bank, Prima Bank, Securities Investment Bank and Investec.

Merchant Bankers' Association (MBA) chairman Stephen Koseff from Investec confirmed yesterday that a subcommittee of the MBA and General Bankers' Association was talking to the Bank on the changes to liquid asset and cash reserve requirements. "We are hoping for reasonable progress in terms of a mechanism for calculating the requirements."

Banks are required to hold cash and liquid assets in reserve against their liabilities to the public. Recent changes to the way in which liabilities are calculated raised the cost of holding reserves.

The Reserve Bank confirmed that discussions were taking place. Deputy Bank Governor Chris de Swardt said that any bank with a problem in meeting the requirements could apply to the Registrar of Banks for exemption, but the Bank had not given a blanket exemption and cases would be considered individually. He added the new requirements were being phased in over 15 months and that banks would have the opportunity to change their way of doing business.

Merchant banking sources said that in some cases, the cost of cash and liquid asset requirements would have a serious effect on profitability, and would require a radical change in the way these banks operated. It would require a move off-balance sheet, which the Bank would not want but might be powerless to stop.

Trading banks that "carry" capital market stock were especially exposed, as they would have to hold costly reserves against a balance sheet item that did not entail risk and was not a liability in the conventional sense, a dealer said. The big commercial banks were not affected to the same extent because their vault cash would count towards the requirements.

Bankers expected the Reserve Bank to exclude banks' liabilities to one another from the calculation of total liabilities against which reserves had to be held, while other changes might also reduce the cost. However, the banks had not yet received formal notice of a modification.

In the longer run, the possibility existed that trading banks could convert into trading houses that did not have to comply with banking legislation.

De Swardt said, however, that these operations would also have to comply with capital requirements.

'Suffering now over' for Absa (58)

By ARI JACOBSON ARGT 10/6/93

THE Amalgamated Banks of SA (Absa) is beyond the cross-roads and is geared for growth in the financial year to March 1994, according to Absa's joint deputy CE Mike de Blanche.

De Blanche, speaking at a presentation for investment analysts at the Mount Nelson yesterday, pointed out that "after the wedding" of the United, Allied, Volkskas and Bankorp, "came the suffering".

However he was quick to mention that the major rationalisation was complete and "the suffering was over".

De Blanche said the financial year to March 1993, had introduced uniformity into the different groupings, cost cutting measures and most importantly the assets of the group had been "cleaned up".

"We had nil growth in total assets this year and this afforded our major competitors the opportunity to claim market share (Absa has 40% of the home loan market)."

However De Blanche said that the situation had now stabilised — "they had their chance, now it's back to business for the Absa group".

De Blanche said that the acquisitions of the Absa group had impacted on its capital position, with publicised reports that the group would be seeking a capital injection in the next two years.

A bad debt provision of about R1,2bn for the year to March 1993 pointed to costs of including Bankorp in the financial statements.

Looking abroad, as part of the rationalisation process, Volkskas and Trustbank had linked up in London and an office was opened in Frankfurt, Germany.

B/Day 10/6/93

Finding a formula to keep key staff

58

MATTHEW CURTIN

THE INABILITY of management at Syfrets and UAL to hold on to their key asset management teams, successfully wooed by new financial services group Coronation Syndicate, has refocused attention on the prickly issue of staff incentives.

Finding a formula for motivating staff is a problem which confronts every manager.

In the financial services sector, the issue is clouded by the fact that by all ordinary measures, the average asset manager, currency dealer or bond trader is handsomely paid in the first place. Yet, financial institutions in SA routinely see some of the bestpaid employees jumping ship.

In this year alone, French merchant bank Société Générale pinched Rand Merchant Bank's project finance team, the two main players at Standard Merchant Bank treasury have set off for what they hope will be greener pastures with German-owned West Merchant Bank, while Firstcorp lured two capital market dealers from RMB, and UAL's project team have gone on their own.

The London-based Euromoney magazine, commenting last month on the departure of 34 members of Credit Suisse First Boston's fixed-income and energy investment banking divisions to rivals in New York this year, says: "The story is a familiar one. The labour market in international banking is one of the most flexible in the world. A large number of institutions performing similar tasks in a geographically concentrated area such as the City of London or Wall Street makes it relatively easy for skilled professionals to change jobs."

At CS First Boston the biggest bone of contention was the compensation package, with the bank understood to be paying its staff at least 10% less than its rivals. The report said personnel departments faced the central problem of providing "the going rate" or risk losing staff.

Merchant bankers and asset management teams in Johannesburg and Cape Town are unwilling to go on record to discuss staff incentives, citing sensitivity of details of their remuneration packages.

What the UAL and Syfrets cases confirm is that "the going rate" is not measured simply in numbers. Syfrets MD Ashton Dominy admits some of those who left were being paid made more than he was.

There is general acceptance that there must be a premium to be paid for retaining skilled and specialised staff.

Central to the decision by the asset management teams' departure to Coronation was the issue of equity participation. Performance bonuses at Syfrets Asset Management had a ceiling of 100% of an employee's salary — outwardly generous but tax inefficient — while the company, reflecting the corporate policy at parent Nedcor, does not offer share option schemes.

Coronation chairman Gavan Ryan says one of the attractions in acquiring a listed vehicle for his group's activities is that it can offer share incentives to staff. The old Syfrets team also owns a 35% stake in unlisted Coronation Asset Management.

Dominy says Syfrets management has "to address the problem of participation". He says the number of applications — about 30 for half a dozen positions shows how attractive its pay is.

Perhaps the key advantage of equity participation is that it ties performance to some measure of value added to a company. It also sidesteps problems flat salary structures have in motivating staff.

Share incentive schemes can be run in a variety of ways, but they can go only so far in solving the problem of clashing business cultures. It is understood that staff at Investec have done well out of share ownership, but even the solid performance of the bank's stock has not matched the growth in individual parts of the business, spurring a round of negotiations between head office and Investec Asset Management.

There are important differences between a currency dealer and an asset manager, but what they do have in common is youth, their ability to take and manage risk, their desire to be rewarded in line with the risks they take, and the knowledge that they have a good chance of burning out at a young age. This contrasts with the cautious, risk-averse person which provides the backbone of a commercial bank.

Another asset management team head, who declines to be named, says "cultural problems are intensifying as banking becomes more integrated".

His ideal format would be the development of partnerships in the financial services sector, an arrangement pioneered by merchant bank Goldman Sachs. Employees gain a significant minority stake in their business, with options in listed shares — which binds them to the larger group's discipline — and unlisted equity which reflects income from their operations.

But, says management consultancy FSA-Contact MD Olof van Schalkwyk, this does not solve the problem of "sub-cultures" and conflict between entrepreneurs and bureaucrats. The best that can be achieved is a "negotiated comfort-zone".

Firstcorp MD David Lawrence will not comment on his company's approach to the problem, but he hopes Firstcorp's reputation and performance as much as its remuneration packages enables it to attract and keep high-calibre staff.

Bankorp shock for Absa

Star 10/6/93

By Derek Tommey

Absa had a few unexpected surprises when it took over Bankorp at the beginning of last year, says Absa chairman Herc Hefer.

He was commenting last night on the announcement that Absa was planning to write off against share premium R288,8 million of the R1,227 billion paid for Bankorp.

This 23 percent reduction in the value Absa places on Bankorp suggests that a fairer price for each Bankorp share at the time of the merger would have been 235c. Absa paid 312,5c.

Conservative 58

Hefer said in his chairman's statement that the application of Absa's more conservative accounting and provisioning policies and practices to Bankorp had resulted in the price paid exceeding the value of the net assets of the group by R288,8 million.

Subject to the approval of shareholders, Absa proposes writing off this amount against the share premium account.

The share premium account was increased by R989,9 million after the issue of 109,17 million Absa shares at R11,25 a share for the purchase of Bankorp.

Hefer said last night that Absa was aware that a lifebelt had been thrown to Bankorp by the Reserve Bank in the middle of 1991 and a due diligence investigation was instituted before the offer price was determined.

Despite this, Absa still encountered some unpleasant surprises.

Bank to curtail capital market exposure

GRETA STEYN

THE Reserve Bank is expected to take measures within the next few weeks to scale down its exposure in the capital market — a move which could dampen speculative activity and knock volumes. (58)

A spokesman for the Bank's bond trading division confirmed the Bank wanted to put an end to supporting jobbing activity, since underpinning speculation was not the role a central bank should play in the market. The Bank was considering reducing its role by substantially increasing the minimum amount of a deal while at the same time widening the spread between the bid and offer prices. B/Day 10/6/93

He said the Bank's present limit for a deal was R5m, but it had dealt in even lower values of stock — attracting "enormous interest" from jobbers and placing strain on the Bank's dealing room. But the Bank would be careful about scaling down its activity too much as it did not want to lose the liquidity in government stock that its role as a market maker had achieved.

Market sources said the Bank had indicated it would double the minimum value of a transaction to R10m and quote a three-

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point spread (instead of two) between the bid and offer price. Dealers on the JSE floor hoped that business now going the Bank's way would come to the floor, but noted that small speculators trading on their own account needed the Bank. (58)

A dealer said the Bank's timing was right, because it would "take a smack" in a bear run. A change to bigger value trades and a wider spread would result in more genuine deals rather than speculation. (58)

Market sources said the Bank had considered pulling out and appointing private sector banks or stockbrokers to deal on its behalf. This was stymied by difficulties in setting up a "Chinese wall" between the Bank's market-making operation and the rest of the appointed dealer's business.

The Bank's exposure in the market was a main reason for the annual turnover in public sector stock hitting a high of R551,2bn last year — 121% up on 1991. Its venture into the market was the driving force behind closing the gap between government's interest rate and Eskom's.

The Bank's plans have not yet affected the market. A big buyer, rumoured to be foreign, revived the bulls' spirits, pushing the R150 to a low of 14,56% from 14,69% on Tuesday afternoon before it rose to a close of 14,61%. But there is upward pressure on medium-dated bonds, after forex data dashed hopes of a Bank rate cut.

BDay 10/6/93

Probe into investment schemes

GRETA STEYN

THE Registrar of Banks was investigating "quite a few potentially illegal investment schemes" worth millions of rands and had handed some over to the police, a spokesman for the Registrar's office said yesterday.

The office has issued a warning to the public to beware of such schemes, which had come to the fore in recent weeks. The statement said the public should guard against "so-called investment schemes that provide an excessive yield on an investment", as well as investment opportunities provided by companies which were not registered as banks.

"Investors should also ascertain whether their funds are entrusted ... on an agency or principal basis," the statement said, noting that agents should have a properly agreed mandate and should disclose the commission earned on the transaction. When companies solicit funds as principals, they should be registered with the Registrar of Banks or the Financial Services Board. (58)

The spokesman declined to name companies involved in schemes, and added that legal action was not up to the Reserve Bank. Cases were handed over to police so they could complete investigations and hand them over to the attorney-general.

BUSINESS DAY, Thursday, June 10 1993

Record death toll for police, soldiers

B/Day 10/6/93

A RECORD number of police and soldiers were killed in political violence in SA last month.

The Human Rights Commission (HRC) said 34 security force members were killed and 43 wounded in May — higher than any other month since the HRC began keeping records 17 months ago.

May also posted the highest death toll related to political violence in eight months — a total 302 people.

But the HRC said the 1 095 deaths recorded this year was nearly 25% lower than at the same time in 1992.

Most deaths in May were around the Pretoria-Johannesburg area.

More than 8 000 people have died in political violence since President FW de Klerk began dismantling apartheid three years ago. — Reuter.

Fedlife and Club Mykonos

B/Day 10/6/93

Own Correspondent

CAPE TOWN — Life assurance giant Fedlife's senior personnel approved an investment scheme for Club Mykonos in Langebaan (CML) — even though this scheme was considered undesirable — and invested R27m in it, the Masterbond commission was told yesterday.

Fedlife assistant GM Denis Paizes, giving evidence, said that after attending a meeting at Masterbond's offices in the Cape in November 1991 to find out more about marketing property equity participation in CML, he felt "uncomfortable about the product".

(58)

Paizes said that during the meeting he "never saw a balance sheet or any audited statements of the resort" and described the scheme as "a package with little content".

In a memorandum to his superior, investments GM Ian Frazer, he said that "a scheme as ambitious as CML based on unstable financing from short-term deposits must be vulnerable".

At this point Paizes was warned by Judge H C Nel, who heads the commission, that witholding information was a contravention of the Commission's Act.

Paizes was reprimanded as he could not remember having further discussions with Frazer about the scheme supported by Fedlife, or who had given the go-ahead to implement the scheme.

He later said that it could be assumed that Frazer and marketing manager Bernard Goldman had given the all-clear for the investment scheme to go ahead.

By May 1991, when Fedlife ended its involvement, R27m had been invested in the scheme by the life assurer.

Tighter controls needed over insurance agents — Badenhorst

B/Day 11/6/93

ADRIAN HADLAND

PRETORIA — Tighter control over insurance agents and intermediaries was required to protect the public from undesirable elements in the industry, Financial Services Board executive officer Piet Badenhorst said yesterday. (58)

While the Insurance Act of 1943 provided for close scrutiny of agents' premium funds and guarantees, little control existed over their conduct in their trust-orientated relationship with the public, he said.

The call for improved control, which would be proposed to the Nel commission later this year, followed the board's first attempt this week to prevent two agents from continuing to work in the industry.

An application for an interdict against former President Insurance directors Willie Smit and Kobie Maree was filed with the Pretoria Supreme Court on Monday.

In papers before the court it was alleged that Smit and Maree had failed to pass on more than R1m in premiums to insurers while clients' short-term coverage had been cancelled without their knowledge.

It was also confirmed that the Office for Serious Economic Offences was investigating the activities of the two in connection with their roles as agents for the Motor Vehicle Accident Fund.

The application for the interdict was the first time the board had intervened in such a drastic fashion, Badenhorst said.

Smit and Maree have until June 16 to oppose the interdict.

Badenhorst said two options existed for improving control of the estimated 30 000 insurance agents operating in SA.

The board could take direct control by conducting audits, establishing a register and assuming broad administrative powers over this sector of the industry or a self-regulatory body could be created, as in the UK, with the board overseeing it.

Since the board's establishment as an independent, statutory body in 1991, more inspectors, legal advisers and resources had been made available for the investigation of irregularities in the financial services sector, Badenhorst said.

"But these are difficult times. There are more insolvencies, more financial pressures and more misdemeanours occuring in an attempt to maintain market share."

Star 11/6/93

Fedlife rejects Masterbond claims

By John Spira

The Masterbond hornets are buzzing again, their nest having been disturbed by a rash of confused reports surrounding life assurance giant Fedlife's involvement in the debacle.

The stirring emanates from evidence being presented before the Nel Commission of Inquiry into the Masterbond collapse.

Among the fingers being pointed at Fedlife:

- It had invested directly in Masterbond, using "sacred" pension fund money.
- It had hosted a meeting that placed a rubber stamp of approval on the ill-fated Club Mykonos project.

Intermediaries

- By tacitly approving of the Masterbond management, it had convinced intermediaries to sell investments in Masterbond.

Fedlife managing director Dr Morris Bernstein describes the reports as "riddled with inaccuracies".

He says: "Fedlife invested nothing in Masterbond or Mykonos."

Morris Bernstein . . . money came from general funds, not from pension fund portfolios

He explains Fedlife's involvement with Masterbond as follows: "We were approached by brokers who had been investing money in Masterbond and who had developed a package which required an endowment assurance to build up a fund to repay a loan.

"This package consisted of the investor putting one-third of his own money towards the purchase price of a Mykonos unit.

"The remaining two-thirds was borrowed via a loan to be paid by means of an endowment assurance.

"We provided endowment contracts at rates which were attractive to us."

Fedlife then lent money in the ratio of R2 for every R1 put up by the investor against the security of the investor's policy and a cession of his rights in Mykonos.

Clients

"We were assured that all these people were high networth clients."

The money lent by Fedlife — R18 million in total — came from the assurer's general funds and not from pension fund portfolios.

"Brokers who sold these policies are now negotiating with policyholders to repay the balance owing to Fedlife over a period of time," says Bernstein.

Fedlife 'broke all the rules'

CT 11/6/93 (58)

By ARI JACOBSON

Investment in M'Bond under fire

LIFE Assurance giant Fedlife broke every investment rule by placing funds in the defunct Club Mykonos Langebaan (CML).

This was according to Mr Hendrik Klem, SC, who led evidence yesterday before the Ncl Commission inquiring into the Masterbond crash.

Mr Klem said that no credit checks were conducted on potential investors in the scheme or on the underlying asset — the property at CML.

In addition, Mr Klem said that all the funds were placed in a single investment and the "loan" by Fedlife was unique in that there was no underlying security against investor default.

An endowment policy, which was part of the security, had almost no value in the first year.

The property equity participation scheme provided investors with a R200 000 "loan" from Fedlife for every R100 000 individual investment in CML.

The product was terminated in May 1991, by which time Fedlife had been instrumental in placing R27 million in CML — R18m from its own resources and a further R9m via investors.

Mr Klem said Fedlife assistant general manager investments Mr Denis Paizes' damning report to Mr Ian Frazer, general manager investments, in early November 1990 was subsequently "overruled" by Fedlife's marketing division.

Fedlife actuary Mr Andy McGinn, who designed this product, said in evidence yesterday that it was introduced to IPC insurance brokers at a conference in late October 1990 and was still subject to approval by Fedlife.

However, Mr Albert Voigt, senior manager marketing, said he understood the conference to be the launch of the product and "it was all systems go from there".

Mr Klem pointed out that sales of the product began immediately after the conference, with no apparent authority from Fedlife.

Later in the day Mr Frazer told the commission that, given this situation, he and Mr Bernie Goldman, general manager marketing, "were sucked into giving approval" to this scheme at the end of November 1990.

Mr Frazer continues giving evidence today.

FM 11/6/93.

BOND MARKET FM 11/6/93 (58)

Formalising the market

The conundrum presented by the challenge from the Life Offices' Association (LOA) to the imposition of a compulsory bond market appears about to have its sting drawn in a way which will provide for all requirements to be met — eventually.

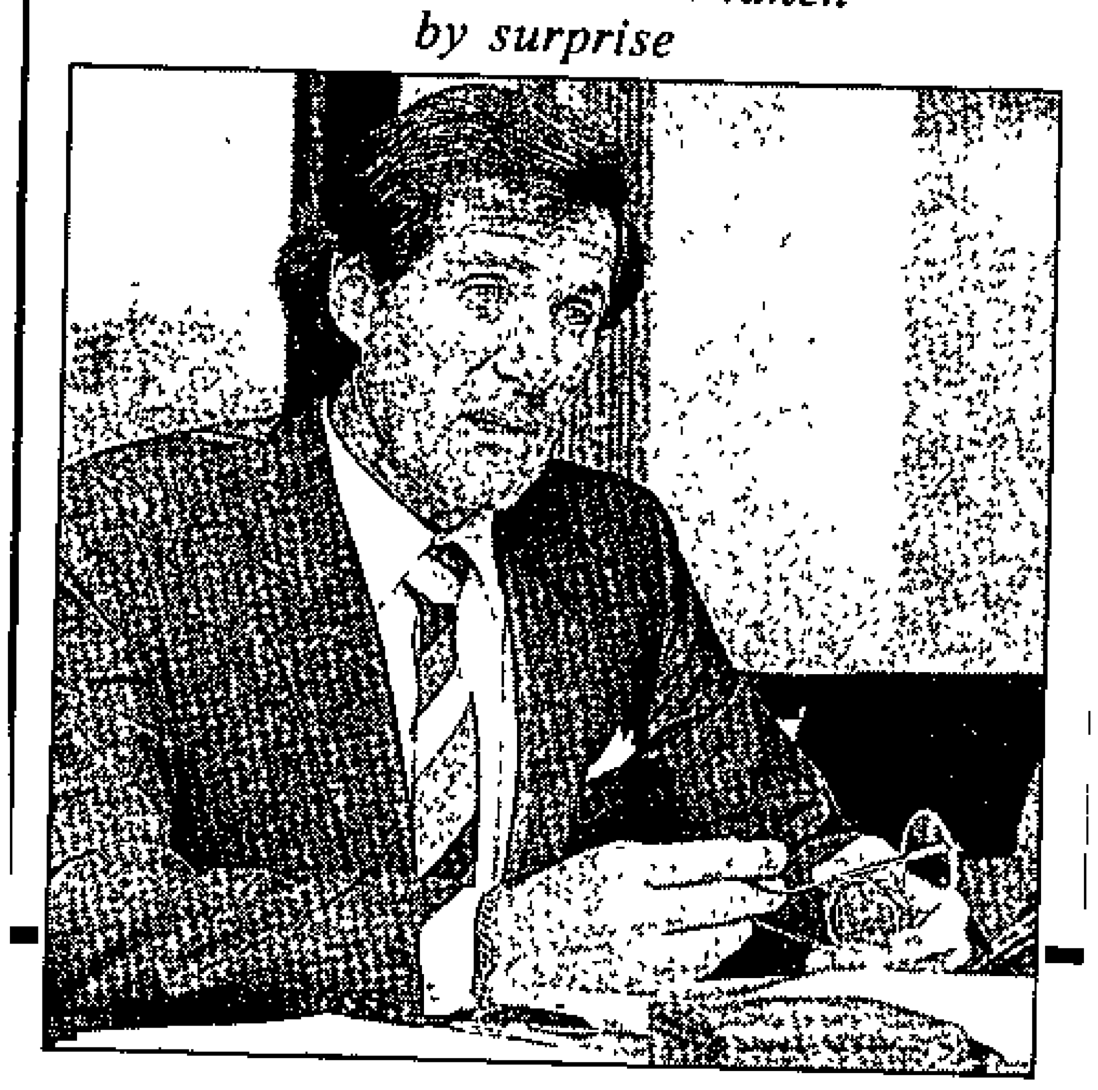
Two weeks ago, the LOA succeeded in garnering overwhelming support from the Bond Market Association's executive for a resolution which asked Financial Services Board CE Piet Badenhorst to arrange for draft legislation amending the Act to be submitted to parliament. Essentially, the LOA's case is that the introduction of a formal Bond Market Exchange (BME) is based on compulsion. The LOA believes there's room for the existence of an informal market, closely akin to that which already exists.

Badenhorst, who was present at the meeting, was clearly taken by surprise He immediately placed the matter before the Financial Markets Advisory Board (FMAB), whose chairman Chris de Swardt says the board's view is the Bond Market Exchange should go ahead as planned.

However, De Swardt points out the FMAB has revisited the premises underlying the establishment of a formal bonds market in SA. "This country has an unregulated bond market which operates on very substantial volumes — as much as R600bn a year," he says. "What is different about our market is that these huge volume transactions are done generally without the support of adequate capital bases which is a firm requirement in almost every other country."

De Swardt says one result of the structure of the SA gilts market is that it is seriously exposed; in particular, the clearing banks are exposed unduly because the accepted practice is they mark cheques (clear cheques for payment). The arguments for a regulated bond market which provides guarantees of performance and which ensures against transactions involving tainted scrip appear overwhelming.

FSB's Badenhorst ... *taken by surprise*



"For those reasons," says De Swardt, "the FMAB concludes the introduction of a regulated bond market should proceed." However, De Swardt acknowledges the validity of the LOA's views, as expressed through the BMA. "International experience," he says, "is that there shouldn't be compulsion in a marketplace."

Nevertheless, the way in which the SA bond market has developed leads the FMAB to conclude that, as a first step, a formal, regulated and compulsory market — as envisaged in the Financial Markets Control Act — should be introduced. "That will be followed," says De Swardt, "with a careful examination of capital adequacy requirements."

In due course, capital adequacy standards may be enshrined in legislation That, in turn, will lead to the establishment of the informal, unregulated, market so dear to the LOA's heart

Meanwhile, the JSE — which derives little pleasure from seeing the end of its own secondary gilts market — will have to resign itself to the inevitable. *David Gleason*

(58)

HCI FM 11/6/93.

Talking to suitors

58

Last Wednesday — just as we published a leading article speculating on plans to recapitalise Hosken Consolidated Investments (HCI) through a rights issue, involving an underwriter which could assume control of the insurance-based group — HCI and its principal listed subsidiaries issued a cautionary notice.

The *FM* did not know a cautionary was to be released, but the notice confirmed what HCI executive chairman Michael Lewis, understandably, could not say — that the group was involved in discussions that affect the share prices of HCI and its subsidiaries.

In the *FM*'s article a number of potential backers were mentioned, including Investec. It now seems that while Investec may be interested in acquiring a block of shares in HCI, it is not keen on a controlling interest.

Other names have since emerged, including Hollard Insurance, Auto & General, and Price Forbes, in which Servgro holds 47%. It's unclear that any of these three would seriously consider a takeover. Lewis will not be drawn on who he is talking to.

Since the cautionary notice was published, HCI's share price has gained 11% to 525c, with similar gains from IGI Insurance and Saflife. And since market talk of a rescue plan for HCI started a month ago, the price has appreciated by 50%. Clearly, somebody out there knows more than we do. *Shaun Harris*

METROPOLITAN LIFE

Plenty of momentum

In an economy that has been characterised by negative GNP growth, a declining money supply and growing unemployment, it seems remarkable that most of the large life assurers continue to attract high levels of investment in their products. Some are recording premium income growth at about double the present inflation rate.

Over the past five years, Metropolitan Life (Metpol) has generated compound annual growth of 24,4% for total income, while premium income grew 25,6% and investment income rose 22%.

Metpol's total premium income for the six months to March 31 rose by 23% on the comparable period a year ago. Recurring premium income grew 20% to R450,5m, while single premium business more than doubled to R30m on an increase in pension and provident fund accounts. The growth in single premium business is encouraging, but it's difficult to tell whether this represented a movement between funds rather than a flow of new funds into the industry.

Investment income for the six months did not fare as well. It increased by only 6%, following weak earnings growth throughout the economy. Dividends followed this trend, and softer interest rates — with a placid capital market — did not help. MD Marius Smith points out this investment return, including capital appreciation, was in line with market conditions and compares favourably with industry averages.

Total assets rose to R5,2bn, to exceed R5bn for the first time.

Cont

FM 11/6/93. 58 FOX

METLIFE'S GROWTH

Six months to	Mar 31 '92	Sep 30 '92	Mar 31 '93
Premium income (Rm)	390	426	481
Investment inc (Rm)	177	178	188
Attributable (Rm)	19,8	38,6	24,2
Earnings (c)	30,5	55,5	37,0
Dividends (c)	20	35	24

Smith says more than four-fifths of business written emanates from the black market. Metpol's results are therefore even more remarkable, as they were achieved in a period characterised by unrest as well as the poor economy. It reflects an emerging, relatively affluent, sector in the black community which has become conscious of the benefits of buying life insurance as a means of saving and investment. It indicates what peace and economic recovery could mean to a company like Metpol.

The directors believe earnings and dividends will continue to increase satisfactorily for the full year. That means that EPS are likely to sustain a growth rate of over 20%.

Three years ago Metpol's share price was about 650c; it is now R22. There is no obvious reason why the 24,7% compound growth in EPS over the past five years should not continue. A 20% dividend increase to 66c at year-end would result in a 3% dividend yield. The share is attractive. *Gerald Hirshon*

AMAPROP FM 11/6/93

Vacancy levels rising

Activities: *Property development and management.*
Control: *Anglo American 66%.* (58)
Chairman: *G G L Leissner.*
Capital structure: *45m ords. Market capitalisation: R222,8m.*
Share market: *Price: 500c. Yields: 10,1% on dividend; 13,7% on earnings; p:e ratio, 7,3; cover, 1,4. 12-month high, 675c; low, 500c. Trading volume last quarter, 282 000 shares.*

Year to Mar 31	'90	'91	'92	'93
ST debt (Rm)	2,7	15,5	30,3	68,8
LT debt (Rm)	218,1	211,4	208,6	228,9
Debt:equity ratio	0,39	0,33	0,34	0,45
Shareholders' interest	0,63	0,67	0,68	0,61
Int & leasing cover	2,59	2,89	3,07	2,44
Return on cap (%)	8,58	7,10	7,31	6,27
Turnover (Rm)	209	200	209	231
Pre-int profit (Rm)	71,2	72,1	75,2	67,7
Pre-int margin (%)	34,1	34,9	34,6	27,7
Earnings (c)	67,4	73,0	78,9	67,6
Dividends (c)	42	47	50	50
Tangible NAV (c)	997	1 301	1 333	1 247

The market is not entirely happy with Anglo American Property's latest results. The share lost 70c or 12% of its value last month after the group announced its 7% decline in

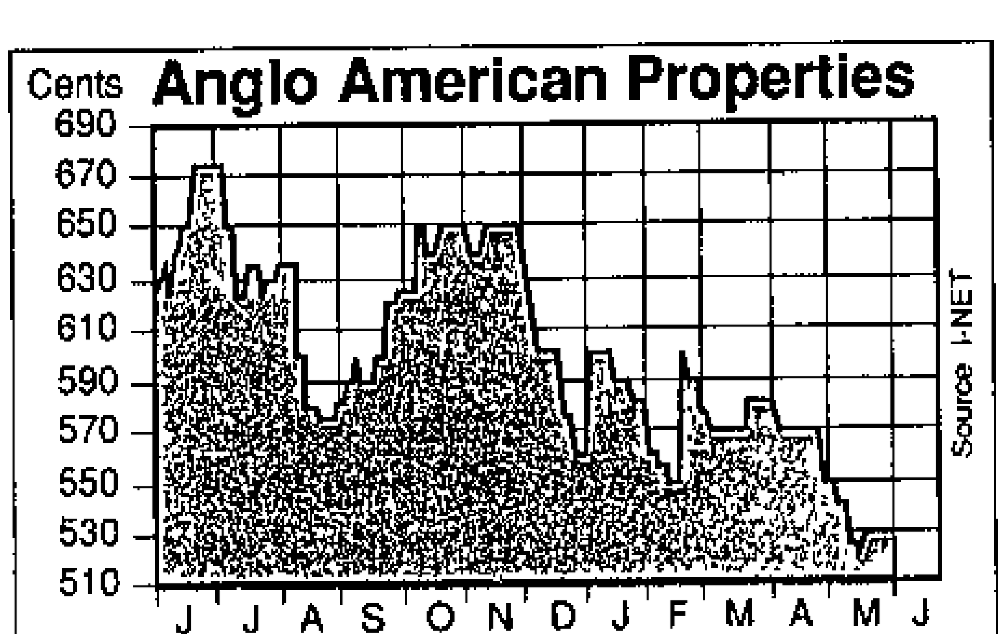
cont 2

FM 11/6/93. (58)

Amaprop's Leissner ...
poor trading conditions

after-tax profit, which fell to R33m for the year to end-March.

Chairman Gerald Leissner says the drop in earnings was caused mainly by poor trading conditions and the impact of political



uncertainty. This resulted in increased vacancy levels in the property portfolio and continuing losses at Johannesburg's Carlton Hotel.

The investment in township properties and township debtors increased by R55,5m. This was mainly attributable to the new residential township, Silver Lakes, in Pretoria. To fund this investment, short-term borrowings were increased to R228,9m (1992: R208m) and gearing escalated to 45%. Fortunately, tax paid dropped substantially to R6,3m from R11,1m. Leissner says the revamping of certain properties had allowed for greater write-offs in the 1993 financial year.

High interest rates and the impact of Vat dampened the market for residential land, but sales in the estates development division were higher than in the previous year. Turnover rose a fifth to R38m. Leissner says because of the conservative accounting policy, profit on these sales has been deferred.

The negative perception of downtown Johannesburg continued to affect the profitabilty of the Carlton Hotel. Though occupancy levels were in line with the previous year, the main decline was in the food & beverage division. The hotel continues to operate with 458 bedrooms; the remaining 205 will be made available only if a sustained demand for additional facilities justifies the cost of bringing these rooms up to the standard of those in use.

Leissner says the nationwide oversupply of office accommodation in CBD and suburban locations will hamper Amaprop's ability to let significant amounts of the vacant space in the portfolio. Almost no new development is taking place and this may have the effect of accelerating the take-up of space.

During the next 12 months the company will continue to fund land development schemes already started but won't buy any new sites or start infrastructure development on land it holds for development.

Despite the depressed economic conditions, Leissner says EPS this year should at least be maintained.

The share has lagged the JSE Overall index for the past two years and has fallen 26% over the past year. Amaprop remains a comparatively low-risk counter often with low-to-modest total returns. *Kate Rushton*

FM 11/6/93. (58)

TRANSATLANTIC (58)

Another strategic stake

FM 11/6/93.

Talking in February about TransAtlantic Holding's plans for expansion in the UK insurance market, chairman Donald Gordon was quoted in the *Financial Times* as saying that several British companies were "looking for a big brother."

TAH, Liberty Life's UK life insurance/property arm, was setting its sights on "the larger end of the market. The bigger they are, the better the bargain." He proved as good as his word last week. In terms of London Stock Exchange rules, TAH disclosed it had picked up just over 3% of Sun Alliance, the UK's biggest writer of general insurance business.

Sun Alliance fits the TAH bill. Capitalised at more than £2,8bn — three times TAH's market worth — Sun Alliance has a £2bn property portfolio split between its life and non-life funds, and is recovering from a horrendous three years shared by all short-term insurers in Britain, especially those involved in property.

From pre-tax profit of £319m in 1989, Sun Alliance slumped to losses of £181m and £466m in the following two years, pulling back to a £130m deficit in 1992.

Better times are expected all round in the UK insurance sector, as rates have hardened and the worst disasters of the housing market seem over for companies which wrote domestic mortgage indemnity business and were hit by the negative equity crisis. Sun Alliance's mortgage indemnity loss was still high at £186m last year, but that was a big improvement on the £320m knock suffered in 1991.

This is clearly an attraction, but so too is the recovery potential of the property portfolio — Sun Alliance's net equity assets have fallen by 47% to £1,67bn, excluding the value of long-term business, in three years. TAH's property assets (via Capital & Counties) are valued at £1bn even after the downward valuations imposed, which have seen NAV per share dive by two-fifths since 1989 — much to Gordon's chagrin.

Gordon specifically mentioned his acquaintance with, and respect for, Sun Alliance's new chairman Sir Christopher Benson, former head of Britain's biggest property group MEPC.

The interest in Sun Alliance matches the dual insurance/property strategy of Gordon and of the 50:50 partner in Sun Life, Union des Assurances de Paris (UAP), which owns 18% of TAH.

As a "strategic stake" it seems like a small beginning, but so did the initial foray into Sun Life 13 years ago, when TAH was then an unquoted relative minnow. Gordon has friends on the Sun Alliance shareholders' register, Guardian Royal Exchange, which grubstaked Liberty in 1964, with 3,8%, making it the second biggest investor after Chubb Corp with 9%.

The London market clearly took the deal seriously. Just 24 hours earlier, US Quantum Fund's George Soros — who made up to US$2bn by selling sterling short last year and who set gold alight by putting £400m into Newmont Mining — announced a £284m investment in the battered UK property sector. It was enough to add 6,6% to the property sector index in a flagging equity market.

Not to be outdone, the TAH stake in Sun Alliance had seen the composite insurance sector index gain 5% on Tuesday. TAH was already showing a paper profit on the holding — at £86m, equivalent to 10% of its own market capitalisation — with Sun Alliance up 6,3%. London market opinion was: don't hold your breath because Gordon is a patient man and UAP has domestic pre-occupations in France, but watch this space. *John Cavill*

Donny Gordon . . . *big brother*

FINANCIAL SERVICES

58

A warning to agents

FM 11/6/93.

A test case has been brought by the Financial Services Board in Pretoria Supreme Court against President Insurance ex-directors Willie Smit and Jacobus Maree. If the board's action succeeds it will have far-reaching effects on everyone in the financial services sector.

The board's request is that Smit and Maree must be restrained from financial or management involvement in any insurance operation. At present, the board has the regulatory power to constrain direct insurers and other financial institutions if it feels they are insolvent or are managed by people who are not fit and proper. It has no power to regulate financial brokers.

The board, which was semi-privatised two years ago, was accused of ignoring the circumstances leading to the liquidations of Masterbond and Supreme, both of which resulted in financial hardship for hundreds of investors. But the board's regulatory powers are limited and it was not in a position to act. The suit, brought on Monday, seems designed to bring all financial advisers and brokers into the regulatory net. Without any authority conferred by parliament, the board is now seeking it through the courts.

If it succeeds, it will be in a position to bring similar cases against others, effectively debarring brokers, accountants and attorneys from acting as financial consultants if they are considered to be acting against the public interest.

But, without regulatory powers, the board would have to go through the same costly procedure in each case. On the other hand, should parliament give the board outright powers to ban a would-be intermediary, that would add to powers which the financial services sector considers are already too embracing.

The circumstances of the Smit case are: Smit controlled a brokerage, Profsure, in Roodepoort and specialised in insurance for professionals. The company that was then President Insurance, a small Rentmeester operation in Pretoria, came up for sale. The attraction of President was that it possessed 11% of the "days" allocated by the Multilateral Motor Vehicles Accident Fund and so, though it might have been technically insolvent, had a book which could be exploited. Smit took control.

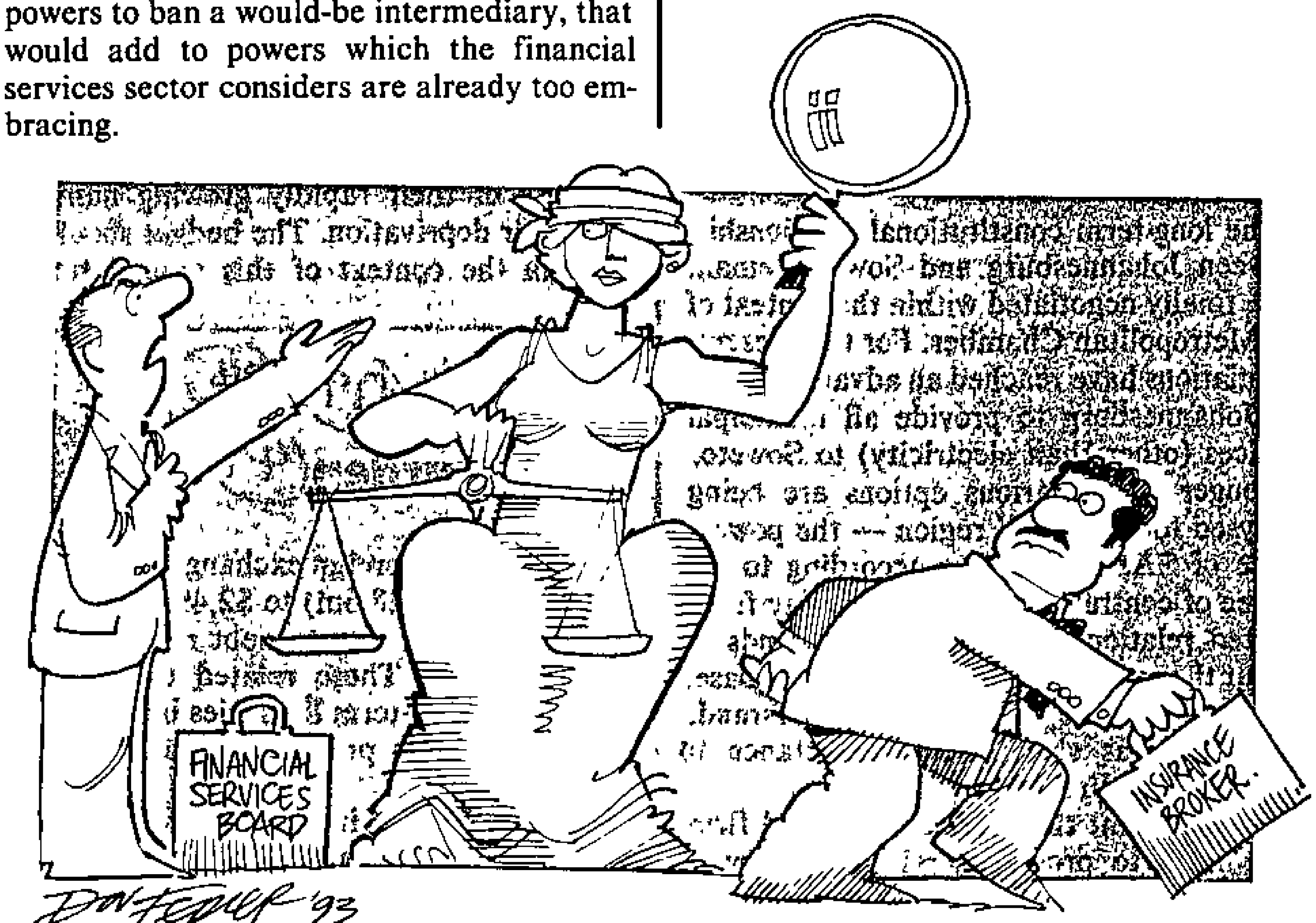
The Office for Serious Economic Offences began an investigation into Smit/President's activities. The fund reclaimed 6 000 files from President and the board successfully moved for liquidation of the company.

Smit and Maree later became involved in another insurance brokerage operation, which also made headlines.

Smit says that the purchase of President was through an intermediary and the deal contained certain preconditions which had not been met. Therefore, he claims, he and Maree never owned President. A ruling in the Witwatersrand Supreme Court on this argument during March opens the door for Smit and Maree to contest some of the allegations made about their activities while in control of President.

Meanwhile, the Office for Serious Economic Offences, which had previously indicated, in the Roodepoort Magistrate's Court during a preliminary arraignment on December 15, that it was likely to bring charges against Smit and Maree, subpoenaed the two men to give evidence at the office. Both refused and were then taken to the Pretoria Magistrate's Court, charged with refusing to comply with the authority of the office and released on bail.

Though the case could set a precedent for schemes involving Masterbond- and Supreme-type funding operations, there is no suggestion that Smit or his firm were selling debentures in Masterbond or Supreme. ■



USURY ACT FM 11/6/93.

Technical traps

58

Though complaints against ~~banks~~ accused of transgressing the Usury Act are not uncommon, the differences between client and bank are usually settled out of court. Last week, for the first time in more than two decades, a bank was convicted under the Act. The charge related to charging interest on interest and exceeding the maximum rate allowed by the Act.

The penalty imposed, however, was only R300 (compared with a maximum of R10 000). Defendant Boland Bank is to appeal against the conviction.

The case relates to a series of transactions entered into by the bank and Middelburg farmer Taylor Kennedy Steele. In 1987 the bank initiated proceedings against Steele for payment of money owed and, by 1991, judgment had been given in favour of the bank. During this litigation, Steele laid a complaint against the bank, which was this week found guilty on a charge related to a suspensive sale agreement signed in December 1980.

The case is complex. "There was no dispute about the events," says Boland's attorney Eli van der Merwe, of Van der Merwe, Du Toit & Fuchs. "Both the conviction and the appeal centre on a technical interpretation of the Act."

The points of appeal will be:

- ☐ Is the Usury Act applicable; and
- ☐ Did the bank claim, demand or receive amounts in excess of the rate stipulated by the Usury Act. This involves a decision on how interest on interest should be calculated — an issue which has been the subject of

cont'd

SECONDARY TAX

In an article entitled *Where to Draw the Line* (*Economy* June 4), the *FM* incorrectly put the rate for the new secondary tax on companies at 7,5%. It is 15%. The error is regretted.

P.T.O

FM 11/6/93

debate between the banking industry and the authorities. Since the agreement between Steele and Boland Bank was signed in 1980, the Usury Act has been amended several times and this complicates interpretation of the Act.

(58)

Administration of the Act is bedevilled by a host of technical traps. Whether loans fall under the Act or not depends on the amount, the article involved and the use to which the article was put.

A working paper on the Usury Act recently recommended extensive changes to the Act and related Acts in an attempt to protect the interests of consumers without damaging the ability of lending institutions to conduct business profitably. ■

AMALGAMATED BANKS OF SA

FM 11\6\93 (58)

Still carrying the Bankorp albatross

The market was held in an animated suspense; the turnout at the presentation of Amalgamated Banks of SA (Absa)'s first annual results since the merger with Bankorp was impressive — a clear indication of the level of interest.

In the event, Absa's performance was judged disappointing. The key figures are the EPS, which improved 12%, and the dividend, which increased 10%. Neither is adequate to satisfy a market which — perhaps unfairly — was expecting more.

The initial reaction, a day later, to the first full results since the takeover of Bankorp was to knock 25c off Absa's share price, but when the *FM* went to press it had regained 5c to trade at 925c.

There was widespread and generally unfavourable reaction to the admission by chairman Herc Hefer that Absa's capital adequacy ratios are expected to fall below requirements within two years. There will have to be a rights issue — or some other acceptable form of equity injection — to restore liquidity and strength.

The fall in the share price probably has as much to do with this revelation — carrying the overhang of a subscription requirement within 24 months — rather than the figures presented a few hours before the market reopened. It spoilt what had been a steady upward trend from about 875c which started late in May.

Absa's share price performance has been erratic since the merger of United, Volkskas, Allied and parts of the Sage Group at the beginning of 1991, but one clear trend earning investor disapproval stands out. After gaining about 40% to a high of 1 045c in January 1992, Absa announced its takeover of Bankorp. The market wasn't slow to recognise that the second merger, colloquially referred to as Absa 2, was being put in place before its managers had succeeded in bedding down the first amalgamation. The share price has not recovered and now trades at the same level as two years ago.

The latest results should move the price up a little — some analysts suggest it is worth R10-R10,50 — but any improvement will be due to the absence of nasty surprises in the financials rather than the pedestrian 12% increase in EPS. Getting Absa's rating more in line with those of the other three big banks will be harder, and until there are clearer signs of cost and other benefits from Absa's extensive rationalisation process, there seems little likelihood of that in the short term.

BIGGER ... BUT BETTER?

Year to March 31	1992	1993
Advances (Rbn)	42,2	63,3
Deposits (Rbn)	48,9	71,3
Net income (Rm)	670	1 083
Attributable income (Rm)	491	717
Earnings (c)	108	121
Dividends (c)	39,5	43,5

Absa's Badenhorst ... *high debt provision*

Nobody will accuse CE Piet Badenhorst of being faint-hearted. He has displayed unusual courage in taking on four different banks, each with a distinct culture and, by Badenhorst's own admission, each with a major flaw. He can claim some satisfaction in having reduced the high cost structure he inherited and in having gone a long way towards cleaning up the advances book and making full provisions.

And that's another thing: the income statement contains some disquietening features, like the huge R781m bad debt provision (excluding R740m written off during the year) and operating expenses (R3,6bn) growing faster than income. Pressure on margins is another worrying area.

Badenhorst justifies the high debt provision by saying Absa's strict and conservative policies are being applied to all the merged components. Perhaps with justification, he explains the high expenses as the cost of restructuring and rationalising the four different banking divisions.

Bankorp's interests, particularly the TrustBank and former Senbank, are clearly the culprits here, though on the information disclosed it's impossible to isolate the Bankorp effect on the figures.

Clearly, the Bankorp takeover was considered critical for Absa to gain market share and achieve the spread of assets it needed (not to mention size: with Bankorp's assets included for the first time, Absa can officially claim to be the largest organisation in SA in terms of total assets).

Against those, the costs in write-offs and rationalisation expenses, and the malign influence on the share price, make it apparent the benefit of swallowing Bankorp is not exactly self-evident. In the end, the question is whether the pursuit of size at the expense of other, more important, areas is really worth it.

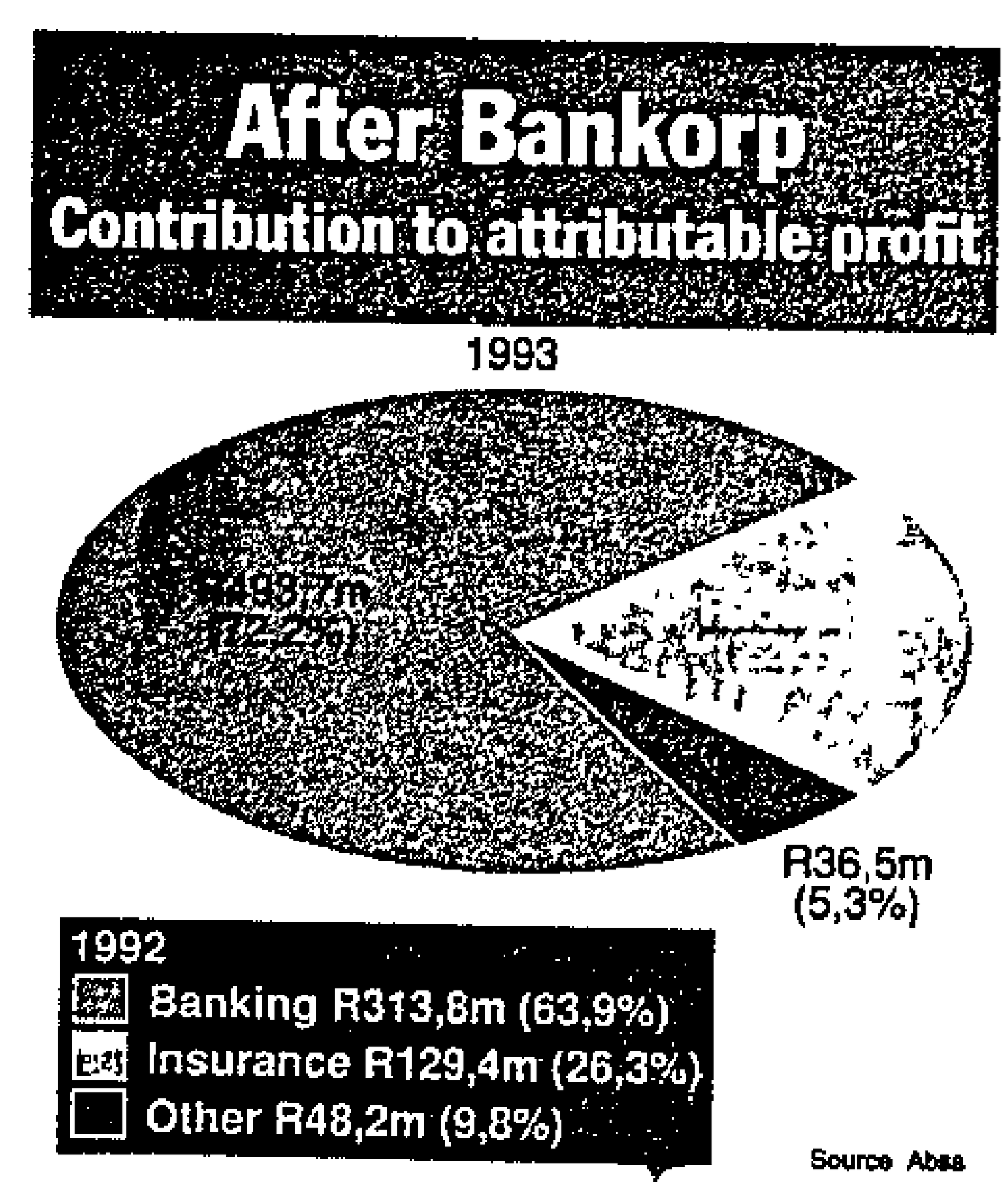
Absa's earnings potential looks good for the present financial year for three principal reasons. Hefer is confident the bad debt provision can be reduced this year. If that happens, it will filter down to the bottom line.

So, too, will what is almost certain to be a reduction in the effective tax rate, Absa having just missed the benefit of the new tax structure. And cost benefits from rationalisation should start coming through.

Those three factors should boost earnings growth, possibly to about 140c, an increase of around 16%, by year-end.

But relative to the other three big commercial banks, Absa's share will take longer to recover. With a yield of 4,3%, compared with the 2,8% of closest rival Nedcor and Standard's 2%, and a p:e well below the banking sector's leaders, there is little in preliminary results to suggest a significant rerating is at hand.

Though the share looks undervalued, there seems little reason to rush out and buy it



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P.T.O.

FM 11/6/93

ABSA Amalgamated Banks of South Africa

(Reg No 86/03934/06)

(58)

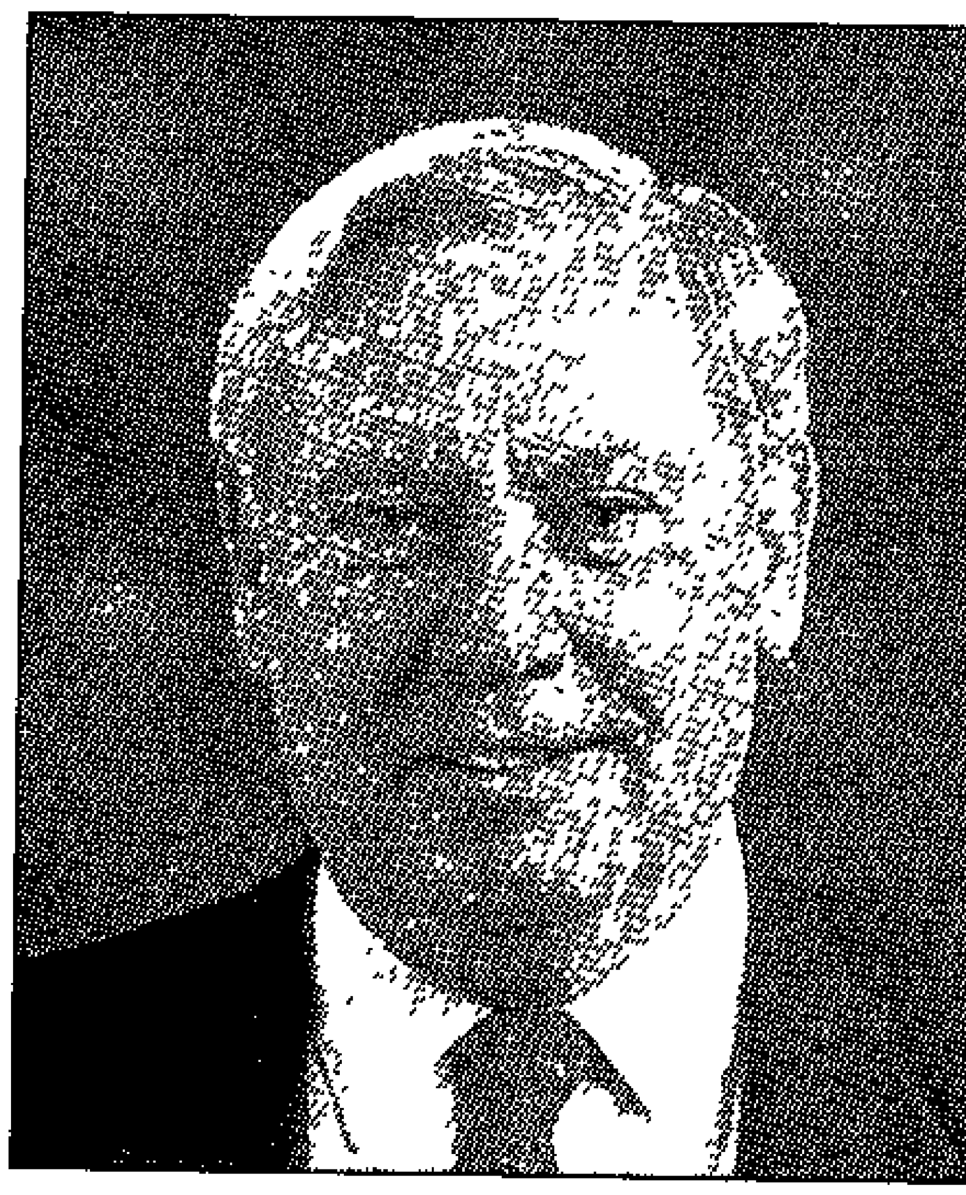
It gives me great pleasure to submit to shareholders this report on your Group's activities and results for the year ended 31 March 1993.

The past year has been a watershed for Amalgamated Banks of South Africa Limited ("ABSA"). Managing the merger of the four principal entities forming the Group in a period of prolonged economic recession has been extremely challenging to both management and staff. Despite these difficulties, significant progress has been made and ABSA has attained commendable results.

It seems to me that the future gives reasonable cause for optimism, both for South Africa and your Group. The political situation is steadily improving. Negotiations are back on track with renewed energy and enthusiasm. A realisation has developed among most interest groups that the only way forward is through peaceful negotiations towards a generally acceptable solution.

In addition, there is general recognition that the potentially explosive levels of violence cannot continue, and there are moves afoot to bring this under control. The importance of effective and disciplined economic management and the need to restructure the economy are also being recognised by a wider political spectrum. The progress made in recent weeks, despite several setbacks, is indicative of this new desire to make significant progress towards a rapid and equitable settlement. Positive action is needed to relieve the uncertainty, revive the economy and make this country a viable home for all its peoples, and a thriving haven for investment by the international community.

With regard to ABSA, considerable progress has been made in the integration and rationalisation of its interests and operations. Major restructuring has taken place, involving the divisionalisation of Bankorp's trading entities in ABSA Bank Limited ("ABSA Bank"), the integration of head office and regional activities of the major retail banks, and the integration and rationalisation of common support services and technology.



H V Hefer (Chairman)

To make this restructuring effective, major system enhancements and changes were made. These changes and those still to be made will generate substantial and enduring savings in operating costs, and provide a platform for increased efficiency and profitability. The most traumatic aspect of rationalisation, viz the reduction of staff, is now virtually complete. The building of morale and the welding of the management and staff of the merged organisations into a cohesive and dynamic team has commenced, and this process will add considerably to the Group's ability to produce sound financial results and improved growth.

Financial results

Net income attributable to shareholders (before extraordinary items of R32,7 million) amounted to R683,8 million. As the 1992 income statement includes the results of ABSA prior to the acquisition of Bankorp Holdings Limited ("Bankorp") with effect from 1 April 1992, comparison of the figures with those of the previous year is not meaningful.

Earnings per share on the full number of shares in issue following the merger with Bankorp, viz 565 838 966, rose by 12,3% from 107,6 cents to 120,8 cents.

A final dividend of 26,5 cents was declared, bringing the total dividend for the year to 43,5 cents, an increase of 10,1% over the 1992 dividend of 39,5 cents. This dividend is covered 2,8 times by earnings (1992: 2,7 times).

Each activity contributed to attributable income as follows:

	1993		1992	
	Rm	**%**	Rm	%
Banking	**493,7**	**72,2**	313,8	63,9
Insurance	**153,6**	**22,5**	129,4	26,3
Other	**36,5**	**5,3**	48,2	9,8
	683,8	**100,0**	491,4	100,0

With the inclusion of Bankorp with effect from 1 April 1992, the total assets of the Group amounted to R82,5 billion at 31 March 1993.

The acquisition of Bankorp was financed through the issue of 109 173 238 ordinary shares in the Company at a price of R11,25 per share, giving rise to a share premium of R989,9 million, net of expenses.

The application of ABSA's more conservative accounting and provisioning policies and practices to Bankorp resulted in the price paid exceeding the value of the net assets of that group by R288,8 million. Subject to the approval of the shareholders by special resolution at the forthcoming annual general meeting of the Company and the confirmation of the Supreme Court, it is proposed to write off this amount against the share premium account. The proposed write-off has been given effect in the financial statements for the year ended 31 March 1993.

After taking into account debt provisions in subsidiaries acquired by the Group and the charge to the income statement for doubtful advances of R781,4 million, the aggregate special and general debt provisions amounted to R1 866,0 million, representing some 2,9% of gross advances. An ongoing review and standardisation of all credit risk policies and attention to larger exposures, coupled with

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the current recessionary economic conditions, necessitated a substantial increase in provisions. Although much higher than normal, the extent of the provisions is considered realistic and in accord with the Group's conservative standards.

The Group's ratio of capital to risk-weighted assets at 31 March 1993 was 8,1%, with each banking subsidiary's capital ratio exceeding statutory requirements.

Unfortunately, the reduction in the rate of normal taxation applicable to companies from 48% to 40% became effective only after the end of the financial year of the Company. The imposition of the 15% Secondary Tax on Companies ("STC") requires the Group to make provision for this tax in the financial statements to 31 March 1993 in respect of the final dividend and, under the circumstances, STC has been treated as an extraordinary item. The Group has raised a deferred tax asset in respect of the estimated tax losses available to it following the merger with Bankorp, which will be reduced as tax losses are utilised.

The increasing burden of unclaimed VAT input costs, which this year amounted to R40,3 million, and the financial services levy (R73,2 million) imposed on banks, have a marked adverse effect on profitability, and consequently on the Group's level of retained earnings. It is grossly inequitable that banks should be subjected to the financial services levy, which in reality, is taxation and, for ABSA this year, amounts to nearly seven percentage points more than its effective income tax rate. The Department of Finance should urgently re-examine the imposition of this discriminatory tax.

Merger with Bankorp

The rationale for and expected benefits of the merger with Bankorp were dealt with at length in the previous annual report and in circulars addressed to shareholders. The integration of Bankorp into ABSA was completed towards the end of the financial year.

All operating subsidiaries and support divisions were merged, and the banking activities of Bankorp were fully integrated in the appropriate operating divisions in ABSA Bank. The trade names of both TrustBank and Bankfin were retained, and all corporate, merchant and international banking activities of the Group have been centralised in ABSA Bank Corporate Division.

By the end of the financial year, the head offices and regional offices of all the retail commercial banks, viz Allied, United, TrustBank and Volkskas, were combined, with each of these divisions continuing to trade under those names. In addition, ABSA Bank now operates five other divisions, namely Bankfin, ABSA Bank Credit Card and Electronic Banking, ABSA Bank Corporate, ABSA Bank Treasury and International Banking and ABSA Merchant Bank. Significant savings have already been achieved through restructuring and rationalisation

As anticipated in my report last year, the large-scale rationalisation resulted in redundancies and retrenchment of staff at all levels throughout the organisation. Normal attrition accounted for some 50% of the reduction of nearly 5 000 employees.

Disposal of interests in associated companies

As reported last year, the Group's 30% interest in Momentum Life Assurers Limited was sold to Rand Merchant Bank Holdings Limited with effect from 1 July 1992. The Group realised a surplus of R42,8 million in respect of this transaction.

ABSA's 49% interest in Amalgamated Insurance Holdings (Proprietary) Limited was sold to Sage Group Limited on 31 March 1993, effective from 1 October 1992, for R190 million. This transaction realised a surplus of R104,6 million for the Group.

To strengthen the Group's position against unforeseen banking risks, R100 million of the combined surplus has been set aside as a general risk provision and included in internal reserves. The balance of the surplus has been dealt with as an extraordinary item in the financial statements.

Operating environment

Against the background of the extended recession of the past four years, the banking sector experienced another difficult year, although margins improved somewhat. The increase in the M3 money supply slowed considerably from 11,2% a year ago to 5,2% in March 1993, as did the growth in credit supplied by the banking sector to the private sector, from 11,8% to 8,3%. Both the corporate and household sectors are consolidating their debt exposures – the latter mainly using cheaper mortgage credit, and the former making increasing use of the capital market for funds.

The use of commercial paper also became a feature of the South African financial market in the past year. The banking sector will increasingly become involved in securities business as a result of deregulation and technological innovation, which enables the corporate sector to use the capital market to a greater extent. Banks will assist in this process – not only as financial intermediaries but also as agents for their clients.

The development of a commercial paper market has again emphasised the pressing need to level the playing field between banks and securities firms in terms of their capital and liquidity requirements. In essence, securities firms engaged in banking-related business should be subjected to similar capital and liquidity constraints.

Social development

The need for social reconstruction in South Africa has never been more acute, and the business sector has a major responsibility to assist in this process.

However, I believe that the most important contribution that the business sector can make to social upliftment and reconstruction lies not only in allocating financial resources, but in actively encouraging and enabling staff to become involved in community organisations across traditional divides, to share expertise and to build bridges

Some gratifying results have been achieved in promoting this awareness among ABSA staff and this approach will continue to be pursued in the current year.

Prospects

Prospects for both South Africa and the Group depend largely on the speedy attainment of a political settlement, democratic elections and the successful maintenance of law and order, all prerequisites for any significant economic recovery. Over the past four years, real output in South Africa has fallen by some 3% and the terms of trade have declined by more than 14%. These factors, together with an annual population increase of about 2,2%, have resulted in a decline of 14% in the national per capita income This situation requires the urgent attention of the government.

General business conditions are expected to remain difficult in the immediate future, but an upswing in economic activity is possible towards the end of 1993. This could enhance the demand for credit to a limited extent. However, until the economy shows a significant recovery, defaulting borrowers will remain a significant issue for banks. Nevertheless, I am confident that attributable profit will improve in the year ahead.

H V Hefer
Chairman

Johannesburg
7 June 1993

ABSA's annual report for the year ended 31 March 1993 will be posted to members on or about 30 June 1993.

The annual general meeting of members will be held at 12:00 on Friday 27 August 1993.

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Amalgamated Banks of South Africa

(Reg No 86/03934/06)

The audited consolidated results of the Group for the year ended 31 March 1993 are set out below.

As a result of the acquisition of the Bankorp Group on 1 April 1992, comparison of the figures in the financial statements with those of the previous year is not meaningful.

Group income statement

	Year ended 31 March 1993 Rm	Year ended 31 March 1992 Rm
Interest on advances	**10 965,2**	7 990,4
Income from investments	**1 440,2**	955,1
	12 405,4	8 945,5
Interest payable	**(8 720,8)**	(6 766,8)
Net interest income	**3 684,6**	2 178,7
Bad and doubtful advances	**(781,4)**	(450,6)
	2 903,2	1 728,1
Other operating income	**1 828,5**	1 125,7
Operating income	**4 731,7**	2 853,8
Operating expenditure	**(3 648,3)**	(2 184,2)
Net income before taxation	**1 083,4**	669,6
Taxation	**(446,1)**	(199,8)
Net income after taxation	**637,3**	469,8
Share of associated companies' retained income	**47,6**	22,9
	684,9	492,7
Attributable to outside shareholders	**(1,1)**	(1,3)
Net income before extraordinary items	**683,8**	491,4
Extraordinary items (note 1)	**32,7**	–
Net income attributable to shareholders	**716,5**	491,4
Dividends	**(246,1)**	(180,4)
Retained income for the year	**470,4**	311,0

Group balance sheet

	31 March 1993 Rm	31 March 1992 Rm
Funds employed		
Share capital and share premium	**2 791,3**	1 871,8
Reserves	**2 141,2**	1 302,0
Shareholders' funds	**4 932,5**	3 173,8
Outside shareholders' interests	**30,9**	3,5
Insurance funds	**361,3**	341,6
Deposits and current accounts	**71 335,8**	48 858,0
Other liabilities	**2 321,7**	1 559,1
Liabilities to clients under acceptance	**3 507,9**	2 284,2
	82 490,1	56 220,2
Employment of funds		
Cash and short-term funds	**2 722,2**	1 908,0
Advances	**63 277,1**	42 170,2
Investments	**8 438,9**	6 916,5
Associated companies	**215,5**	293,1
Fixed assets	**1 903,5**	1 139,4
Other assets	**2 425,0**	1 508,8
Client liabilities under acceptance	**3 507,9**	2 284,2
	82 490,1	56 220,2
Guarantees and letters of credit	**3 704,8**	3 101,6

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Salient features of the Group results

	31 March 1993	31 March 1992
Number of shares in issue		
at 31 March	**565 838 966**	456 665 728
upon which earnings per share is based	**565 838 966**	456 665 728
Earnings per share (cents) (note 2)	**120,8**	107,6
Dividend per share (cents)	**43,5**	39,5
Interim	**17,0**	15.5
Final	**26,5**	24,0
Selected ratios		
Return on average assets excluding acceptances (%)	**0,87**	0,95
Return on average shareholders' funds (%)	**14,67**	16,34
Dividend cover	**2,8**	2,7
Net asset value per share (cents)	**871,7**	695,0

Notes

1. Extraordinary items

	Rm
Surplus on disposal of investments in associated companies	147,4
Transfer of portion of the surplus on disposal of investments in associates to internal reserves	(100,0)
Secondary tax on companies	(14,7)
	32,7

2. Earnings per share

Earnings per share is calculated on consolidated net income before extraordinary items, and the weighted average number of shares in issue during the year under review.

Declaration of ordinary dividend No 13

Notice is hereby given that a final dividend of 26,5 cents per ordinary share has been declared and is payable to shareholders registered in the books of the Company at the close of business on 25 June 1993.

The share transfer register will not be closed for purposes of this dividend.

Cheques will be dated 30 June 1993 and posted on or about that date. Non-resident shareholders' tax at the applicable rate will be deducted from dividends payable to any shareholder whose address in the share register is outside the Republic of South Africa.

By order of the board

I C Pretorius
Group Secretary

7 June 1993

Directors

H V Hefer *(Chairman)*, J A Stegmann *(Deputy Chairman)*, W G Boustred *(Vice-chairman)*, P J Badenhorst *(Chief Executive)*, D C Cronjé *(Deputy Chief Executive)*, E M de Blanche *(Deputy Chief Executive)*, A J Botes, L Boyd, D C Brink, M H Daling, G B Dickason, A S du Plessis, J L Pamensky, M J Roux, A P Scholtz, P Steyn, G S Thomas, S W van der Merwe, T van Wyk.

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(P O Box 260595, Excom, 2023)

Transfer Secretaries
Central Registrars Limited
3rd Floor
154 Market Street
2001 Johannesburg
(P O Box 4844, Johannesburg, 2000)

JONSSONS

METROPOLITAN LIFE LTD.

Reg No 05/32491/06

Interim report for the six months ended 31 March 1993

(58) FM 11/6/93.

The directors have pleasure in presenting the unaudited results for the six months ended 31 March 1993.

	6 months to 31.3.93	6 months to 31 3.92	% increase	12 months to 30.9.92
SHAREHOLDERS' PROFITS	**R'000**	R'000		R'000
Disclosed surplus attributable to shareholders	**24 217**	19 859	22	58 495
EARNINGS				
Cents per ordinary share	**37,00**	30,50	21	86,00
Number of shares taken into account in calculating earnings per share ('000)	**65 451**	65 113	–	65 152
DIVIDENDS				
Cents per ordinary share – interim	24,00	20,00	20	20,00
Cents per ordinary share – final	–	–	–	35,00
INCOME	**R'000**	R'000		R'000
Recurring premiums	**450 488**	375 205	20	774 256
Single premiums	**30 147**	14 867	103	41 702
Total premium income	**480 635**	390 072	23	815 958
Investment income	**187 469**	177 102	6	357 012
Total income	**668 104**	567 174	18	1 172 970

BALANCE SHEET	31.3.93 R'000	31.3.92 R'000	30.9.92 R'000
APPLICATION OF FUNDS			
Investment assets	**4 849 712**	4 195 406	4 508 967
Other assets	**348 913**	325 109	302 832
Total assets	**5 198 625**	4 520 515	4 811 799
SOURCE OF FUNDS			
Shareholders' funds	**318 443**	295 193	308 589
Life insurance funds	**4 676 660**	4 024 154	4 294 582
Creditors and provisions	**203 522**	201 168	208 628
Total funds	**5 198 625**	4 520 515	4 811 799

Comment on results

In a period characterized by unrest and poor economic circumstances that affected our focus markets to a substantial degree the increase of 23% in our premium income is considered to be good. The increase of 6% in our investment income reflects lower interest rates and slower growth in dividends received.

Investment assets are, as at the end of the previous financial year, stated at market value. The total assets of the company exceeded R5 billion for the first time

Earnings per share increased by 21% to 37,00 cents per share The directors have declared an interim dividend of 24,00 cents per share that represents an increase of 20% over the previous year's interim dividend of 20,00 cents per share.

Barring any unforeseen setbacks in the second half of the year, the directors are of the opinion that Metropolitan's earnings and dividends for the full year will continue to show a satisfactory increase over that of the previous year.

Dividend declaration

An interim dividend of 24,00 cents (1992: 20,00 cents) per ordinary share has been declared payable to shareholders registered in the books of the company on 18 June 1993. Dividend cheques will be posted on 2 July 1993 or transferred electronically to the bank accounts of the shareholders that have indicated their preference for this method of payment. In terms of the South African Income Tax Act, 1962, as amended, non-resident shareholders' tax will be deducted from dividends payable to shareholders resident outside the Republic of South Africa.

By order of the board.

Dr N H Motlana
Chairman

M L Smith
Managing Director

Cape Town
2 June 1993

Registered Office:
38 Wale Street
CAPE TOWN 8001

Transfer Secretaries:
Central Registrars Ltd
154 Market Street
JOHANNESBURG 2001

Star 11/6/93

Absa reaches calmer waters

By Philip Gawith

Piet Badenhorst, Absa's straight-talking chief executive, is not a man to seek publicity. In the past few months, however, he has had it by the shovel-load. It has been the sort he could have done without.

Hardly a week has passed without some piece of Absa's dirty linen being hung out to air.

If it was not the dismissal of a senior executive for alleged fraud or disputes about contracts entered into before the bank's merger, or fraud in the vehicle-finance section, it was controversy about Absa forcing companies into liquidation.

After the merger in January 1992 with Bankorp, nobody doubted that Absa had inherited a number of problems.

The seemingly endless litigation, however, soon raised concern that Badenhorst was pursuing personal vendettas rather than the interests of shareholders.

Badenhorst's standard reply to this charge was to growl that critics should await the group's 1992-93 results before passing judgment.

That occasion arrived this week. For the year to March, earnings per share rose by 12 percent and the dividend by 10 percent.

Piet Badenhorst . . . publicity he could have done without

Considering Absa's heavy rationalisation, most observers are inclined to agree with Badenhorst that the results are satisfactory.

(58)

So far the stock market has been lukewarm about Absa, either doubting whether the benefits of scale will ever be realised, or believing them too distant to warrant any immediate attention to the shares, which have continued to under-perform the banking sector.

For his part, Badenhorst is in no doubt that the merger is on track and that the group has now reached calmer waters.

"I think we can close the book on the contentious areas. There's not a bad apple that I'm aware of that hasn't been dealt with, either through write-offs, provisions or management actions."

Mainly, the past year has been one of extraordinary activity. It has involved three main components:

- Achieving rationalisation benefits of the merger which, most traumatically, has involved the retrenchment of 5 000 staff.
- Prioritising risk management, which had been very poor in the Bankorp division, in particular. This has involved making extensive provisions for existing bad debts.
- Removing managers tainted with bad practice and replacing them with a team reflecting the banking culture Badenhorst is seeking — strong customer service, high productivity, cost consciousness and quality lending.

The challenge now is to make the new structure work efficiently. Badenhorst stresses that given the low level of the operating effiency of some of the divisions he inherited, this is no mean task.

He agrees that the main competitors have many years' start over Absa.

"It's a little like putting the Springboks back into international rugby after years of isolation. It takes time to get up to speed in terms of the rules and the techniques."

Absa always set itself a three-year target in which to digest the merger fully. Analysts in general are supportive of the actions taken by Badenhorst over the past year and agree that the long-term objective — to secure significant cost benefits through economies of scale — is on target.

Where there is stock market concern, it focuses on whether Badenhorst has the depth of management to take the task to its conclusion.

Badenhorst accepts that the complexion of the group's senior management — overwhelmingly white Afrikaans male — needs to be changed. "We're a South African operation and must be South African in every respect."

It is policy — endorsed by all senior managers — to increase the number of non-whites on the staff, to achieve language parity among them; and to bring more English speakers into management.

"There is not a stone I've personally left unturned to achieve that," he says. — Financial Times.

human resources manager ... Marcus and student Emily Ngubane.

Picture: ROBERT BOTHA

Fedlife 'broke all the rules'

B/DAY 11/6/93

Own Correspondent

CAPE TOWN — Life assurer Fedlife broke every investment rule by placing funds in Club Mykonos Langebaan (CML), said Hendrik Klem SC, leading evidence at the Masterbond commission.

58/2250

Klem said yesterday no credit checks were conducted on potential investors or on the underlying asset — the property at CML.

In addition, Klem said, all the funds were placed in a single investment and the "loan" by Fedlife was unique in that there was no underlying security against investor default.

An endowment policy, which was part of the security, had almost no value in the first year.

The property equity participation scheme provided investors with a R200 000 "loan" from Fedlife for every R100 000 individual investment, and these funds were all placed in CML.

The product was terminated in May 1991, by which time Fedlife had been instrumental in placing R27m in CML — R18m from its own resources and a further R9m through investors.

Klem said Fedlife assistant GM, investments, Denis Paizes' damning report on the product was subsequently "overruled" by the marketing division at Fedlife.

Paizes, in a letter to GM, investments, Ian Frazer, in November 1990, said the product was "high risk" and added "we would not place funds in a single equity investment even if it was an Anglo American property".

Fedlife actuary Andy McGinn, who designed this product, said in evidence yesterday the product was introduced to IPC insurance brokers at a conference in late October 1990 and was still subject to approval by Fedlife.

However, senior manager, marketing, Albert Voigt, contradicting McGinn, said he understood the conference to be the launch and "it was all systems go from there".

Klem said sales began immediately after the conference, with no apparent authority from Fedlife.

Frazer told the commission he and Bernie Goldman, GM marketing, "were sucked into giving approval" to this scheme at the end of November 1990.

Frazer continues giving evidence today.

Promoter holds key to successful syndication

Star 12/6/93. (58)

AT A recent meeting of the Star/FNB Investors' Club, Metboard executive STEPHEN WEIR explained the complexities of property syndications. Today Your Money publishes the second part of his address.

THE promoter is the most important aspect to consider when choosing a property syndication, according to a recent survey.

The promoter's experience will give you some indication of his ability and strength of operation.

Should you be concerned, ask to see the promoter's balance sheet.

The promoter's property knowledge is also important, and his ability to trade property will ultimately affect the return you receive.

Promoters more actively involved in the letting, sale and trading of properties are more likely to have the required relationships to keep the buildings well tenanted and to trade the properties where required.

One gains experience through the number of syndications successfully completed. Consider carefully a promoter who is floating his first syndication.

It is also important to identify the promoter's view on property syndications.

Certain promoters have in the past walked away from syndications but others have supported them, even incurring losses to ensure that syndicate holders do not lose the capital on their investments.

Leases are documents which determine the success or failure of any syndication.

The longer the term of the lease, the more security one has in income return.

This allows for more accurate projections. With long leases, investors need not worry about rentals exceeding or failing to meet projections.

While the term of the lease is important, an even more important aspect is tenant profile.

In any shopping centre development or office block, rental income is as secure as the tenant who remains in business.

Should a tenant fail, the property manager would have to relet the property, and the rentals originally projected might not be achieved.

In retail shopping centres there is usually a mix of one or two larger, well-established tenants such as Pick 'n Pay or Clicks and smaller tenants who occupy smaller spaces at high rentals.

In properties such as these it is more important that the larger tenants have longer leases and a sounder standing than the smaller tenants.

When considering any syndication, determine the percentage occupation by the well-known household names, as these are what give you security in your income.

Some leases include turnover clauses which state that at a certain level of turnover, additional rental will be paid at a given formula.

This provides opportunity for increased income should the centre be successful during the syndication.

Where mention has been made of head leases by a promoter or some third party, caution should be taken to ensure that the guarantor is of sound standing.

Ask why the property is not fully let.

☐ *To be concluded next Saturday.*

A new guide to sound investment

Takeover gave Absa 'unexpected surprises'

(58) ARG 12/6/93

Weekend Argus Correspondent

JOHANNESBURG. — Absa had a few unexpected surprises when it took over Bankorp at the beginning of last year, says Absa chairman Herc Hefer.

He was commenting on the announcement that Absa was planning to write off against share premium R288,8 million of the R1,227 billion paid for Bankorp.

The 23 percent reduction in the value Absa places on Bankorp suggests that a fairer price for each Bankorp share at the time of the merger would have been 235c. Absa paid 312,5c.

Mr Hefer said in his chairman's statement that the application of Absa's more conservative accounting and provisioning policies and practices to Bankorp had resulted in the price paid exceeding the value of the net assets of the group by R288,8 million.

Subject to the approval of shareholders, Absa proposes writing off this amount against the share premium account.

The share premium account was increased by R989,9 million after the issue of 109,17 million Absa shares at R11,25 a share for the purchase of Bankorp.

Mr Hefer said Absa was aware that a lifebelt had been thrown to Bankorp by the Reserve Bank in the middle of 1991 and a due diligence investigation was instituted before the offer price was determined.

In spite of this, Absa still encountered some unpleasant surprises.

Absa looking set to be front-runner

(58)

ARG 12/6/93

MARC HASENFUSS
Business Staff

BANKING giant Absa (Amalgamated Banks of South Africa) looks set to consolidate its powerful position in the banking service market.

Statistics released for the year ending in March, clearly illustrate Absa's domination of most banking service markets. With the most critical areas of rationalisation and restructuring completed, the bank group will be able to focus on a controlled drive for quality business.

In the lucrative mortgage market, Absa holds almost 40 percent of mortgage advances. This compares with the 15,6 percent and 15,3 percent respectively held by its nearest rivals, Standard Bank and FNB.

In savings deposits, Absa holds 37,7 percent of the market, followed at a polite distance by Standard Bank with 20,3 percent, Nedcor with 17,7 percent and FNB with 14 percent.

Absa also dominates cash managed assets, cheque deposits and transmission accounts with over 30 percent of market share. Standard Bank comes closest with 27,3 percent.

The bank lags only slightly in instalment sales and leasing, where it holds a respectable 23,7 percent compared to FNB's 26,1 percent and Standard Bank's 25,7 percent stakes.

This week, deputy chief executive Dr Danie Cronje said Absa intended holding its share in all these markets in the year ahead.

In spite of Absa's dominant market position and better than expected showing under trying conditions, the market still was not placing a plum premium on Absa's share price.

The share lost 20c to 925c the day after the giant banking group reported a 39 percent rise in attributable earnings to R684 million in the year ending in March.

Later in the week, the share slipped further to settle at 900c. Absa has a net asset value of 871c a share.

Presenting Absa's results in Cape Town, Dr Cronje suggested the high marketability of the share could be a factor in limiting the growth in the share premium.

Some dealers do reflect muted optimism — indicating that at below 900c the share presents a good buy potential.

Bankers moving closer to people

(58) ARGT 12/6/93

■ A new affordable banking system for the majority of South Africans could in itself provide a tonic for the economy as branches are built, people trained and jobs are provided in places as diverse as a squatter camp to a village under the Drakensberg.

BRUCE CAMERON
Business Staff

A COMMITTEE of the established banks is looking at ways to launch a new system of cheaper banking to meet the needs of the country's low-income earners.

The way was opened when the government published draft legislation, the Mutual Banks Bill, this week to create a whole new banking sector.

The legislation will permit small groups of people to get together to fund the operations of a bank which could be as small as a back office employing a few people.

The object is to get away from the impressive and expensive banking halls with sophisticated services and back to basic banking facilities.

The majority of South Africans are looking for facilities to keep small amounts of money, depositing and withdrawing on a regular basis while borrowing comparatively small amounts.

This type of operation is too expensive for the First World banks who shift billions of rands daily.

The biggest problem is the lack of seed capital and trained staff. It is this area which banks are studying what assistance can be given.

Even middle-income earners are feeling the pinch of banks pushing up service charges, resulting in wide-spread complaints.

The complaints are backed up by figures in the recently released annual report of the Registrar of Banks. The report showed a 32,5 percent increase to R2,6 billion in income from "knowledge-based trading and other fee income" of banks. This is primarily income from banking for large companies.

The report also bore out widespread claims that banks were pushing up the cost of retail banking to reduce the number of low-income customers. The report said transaction-based fee income in this sector increased 14,9 percent to R3,2 billion.

Income from interest margins (the difference between interest paid and interest charged) increased by 20,6 percent to R9,1 billion.

The announcement of the legislative changes comes at a time when banks are attracting more attention to themselves with rising profits at a time of severe recession.

Political criticism of banks was not special to South Africa. Post-war France saw banks being nationalised as they came under fire for not doing enough to help drag the country out of the economic trauma left by World War 2.

South African banks were increasingly being seen as unfeeling and not playing a constructive role in improving the lot of all South Africans.

The financial institutions argue they cannot take risks with the money of their investors and point to politically inspired housing bond repayment boycotts to back the argument.

The banks accepted they were under threat and have played a major role in formulating the Mutual Banks Bill and the Council of South African Banks (Cosab) is looking at ways to get the new system moving.

Mr Nico van Loggerenberg, secretary of the council, said in an interview that proposals were currently being drawn up by a Cosab sub-committee dealing with the subject. It should report in about six weeks.

The banks have also been involved in the Community Banking Project which investigated affordable banking for people on low incomes.

The project revealed that the financial assets of blacks in urban areas totalled R7,5 billion last year. Of this R1,6 billion was in savings accounts with an average balance of R850 and R1,4 billion was in investment accounts, but the larger proportion of R4,5 billion was in informal financial institutions such as stokvels, credit unions and burial societies.

Mr Cas Coovadia, chief excutive of the Community Banking Project, said the concept of community banking was being investigated as the formal financial sector failed to address the banking needs of the majority of South Africans who "are either inappropriately banked or not banked at all".

The project's success was crucial for the country's stability, he said.

Mr Coovadia suggested that reasons for the formal banking sector failing to respond to the needs of the majority of South Africans included:

■ The profit motive, with the formal banks being owned by shareholders who wanted results;

■ The focus on high-value customers with demands for sophisticated products; and

■ Bank branches were established in prosperous areas.

Mr Coovadia said the solution lay in the creation of a community or a mutual banking structure which would plough profits back into the communities in which they operated.

The mutual banks would have to meet a number of demands to be succesful including:

■ Structures that provided for low-value, high-volume clients;

■ Community-based staff trained to be able to interact with and understand the needs of the community;

■ Banking taken to the people, with a presence where people lived;

■ Education of communities and consultation to ensure legitimacy and control while operating within strict principles and disciplines; and

■ Be a vital mechanism where savings were generated and recycled into the communities to bring development and stability.

CLAMPDOWN *after Boland Bank fined in court for usury*

Over the legal limit

Star 12/6/93

58

THE WORD usury has a quaint, antique sound to it, but its definition is worrying a lot of bankers nowadays after a court judgment in a test case involving interest rates. CLAIRE GEBHARDT reports.

WATCH those interest charges. This week Boland Bank was taken to court under the Usury Act, found guilty and fined R300.

This was the first conviction under the Act in 20 years and it signals that the authorities are clamping down on offenders.

Previous complaints against banks accused of transgressing the Act have all, as far as can be ascertained, been settled out of court.

The Usury Act is designed to protect the public from exorbitant interest rates when borrowing, be it from a bank or a loan shark.

Outlaws

The maximum any moneylender may charge is 25 percent for amounts between R6 000 and R500 000, and 28 percent for amounts under R6 000. Over R500 000, the Usury Act does not apply.

The Act also outlaws interest on interest. This is when a borrower is debited on his outstanding balance, and then, the following month, interest is recalculated on the new, higher balance. The compounding effect of this practice can turn a legal rate of interest into a usurious one.

Boland Bank does not accept it was in the wrong, and is appealing against a judgment based on what the bank says is a technical interpretation of the Act made 12 years ago when the Act was brand new.

But the shocking thing to emerge this week was that banks apparently often exceed the limits of what they may charge, according to the Department of Trade and Industry (DTI).

Jaap Spelt, whose firm, Wespro Business Consultants, specialises in recalculating finance charges, says he has negotiated a staggering R3 million payback to clients from various banks in the past 18 months: "One client alone received R250 000 back in repayments."

The charges against Boland were brought by a farmer who, according to the bank, had a judgment made against him and then filed his complaint. Boland insists the case will not affect money-lending practice.

Approached for comment this week, banks said the Usury Act was antiquated and contained no clear-cut definitions about what was a variable interest rate or a fixed interest rate, and whether banks could charge interest on other bank charges. They were shocked that Boland had been taken to court.

Picked up

Most said it was possible there could be slip-ups on occasion, but normally these were picked up by the banks' internal or external auditors. When disgruntled clients approached a bank manager, the disputed amount was generally instantly credited to the client's account.

However, the DTI told the Saturday Star that a contravention of the Act was a criminal offence, and banks were not given the option to repay. "We investigate and then notify the police. It is up to the Attorney-General to decide on a prosecution," it said.

The DTI described how many contraventions arise: a bank sets the interest rate at, say, 24 percent. If the client doesn't pay anything on his account, and additional finance charges are levied, the effective interest rate can exceed the legal limit.

The Usury Act is a very technical Act. The maximum interest rate allowed applies to all money-lending. However, in practice, borrowers pay different rates of interest according to how they borrow, be it by overdraft, personal loan, credit card, hire purchase or home mortgage bond.

A bank is obliged to let you know when interest rates change — within three months.

So what do you do to protect yourself? First, keep a close watch on the Bank rate. A Bank rate change usually precedes a change in interest rates. Make sure you are notified how the change will affect you. Keep all your bank statements — many banks use these to notify you of the change.

If you feel you have been overcharged, ask the bank to recalculate the interest. Get an expert to check the calculations if you're not happy.

If you're still not satisfied, report the matter to the DTI.

DIAGONAL STREET

Bankorp source of much Absa woe

S/Times CBUSS J 13/6/93

By Julie Walker

ABSA shares shed 40c to 900c this week after the country's biggest banking group announced its first results which included Bankorp.

The announcement was carefully exercised. Chief executive Piet Badenhorst went out of his way to be casually courteous to the press, members of which were irritated that their invitations to the presentation bore the wrong time.

The angle was one of "look how well we've tackled this Herculean task of fixing up Bankorp". I was left with the impression that original UBS shareholders who paid their R2 a share in 1986 would have been better off if management had never bought Bankorp.

UBS was listed in December 1986 when initial trades were about 580c a share. It is now 920c — unspectacular in nearly seven years.

Purge

Competitors did much better: Standard went from R18 to R95, First National from R19 to R78, NBS from 270c to R17 and Nedcor from under R6 to R25. Admittedly, there have been many changes of shape and issues of shares.

Perhaps Absa Mark I would have been a good place to stop. Absa laid out its reasons for the merger, but was there any true inducement?

Bankorp's management it was certainly not — barely a single senior executive has survived the purge.

Bankorp's assets appear responsible for the vast jump in bad debt shown in the year to March 1993. Bad and doubtful advances climbed from 1992's R451-million to R781,4-million. There were several references to a member of Bankorp that had parted company with sensible lending practice — why not say TrustBank?

Absa chairman Herc Hefer says the application of Absa's more conservative accounting and provision policies and practices to Bankorp resulted in the price paid exceeding the net asset value by R289-million — to be written off against the share premium account.

Absa's initial offer was 100 Absa shares for 330 Bankorp, — revised to 100 for 390 after due diligence. After even more diligence it transpires that Absa still paid R289-million too much in shares of R11,25.

It is unlikely to have been the retailing network. Many sites earmarked for rationalisation carry two or more Absa group names.

Maybe it was Bankorp's assessed tax loss. But the R446-million Absa set aside on tax last year is more than double the previous year's.

Some went into a tax equalisation fund. The unforeseen switch to secondary tax on companies was announced after the Bankorp purchase. But the lower corporate tax rate came too late for Absa's financial year.

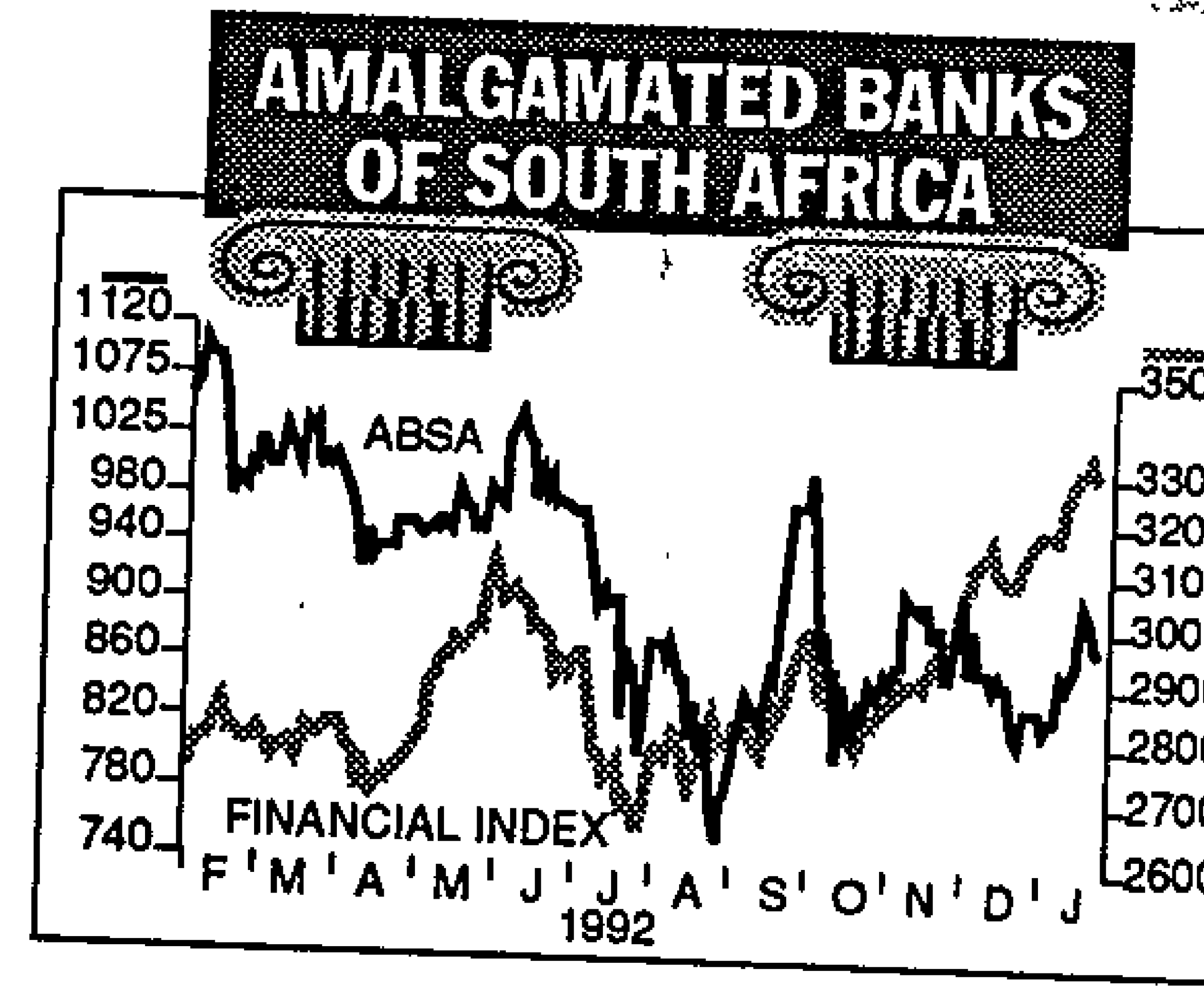
Mr Hefer cries foul on two scores: the financial services levy and the uneven playing field of those in the emerging commercial-paper market.

58 Worst

He says the first is grossly inequitable because banks should not be subject to the financial services levy — in reality taxation. For Absa last year it amounted to almost seven percentage points more than its effective income-tax rate.

"The Department of Finance should urgently re-examine the imposition of this discriminatory tax."

Mr Hefer says commercial paper became a feature of SA banking last year. Banks will become increasingly involved in securities business where the corporate sector can better use the capital market.



Banks will be financial intermediaries and act as agents. But, says Mr Hefer, there is a pressing need for equal terms for banks and securities firms in terms of capital and liquidity requirements.

"In essence, securities firms engaged in banking-related business should be subjected to similar capital and liquidity constraints."

Absa raised earnings a share by 12% to 120,8c, putting the shares on 7,7 times historic earnings, and a dividend of 43,5c yields 5%. The other banks are much more highly rated.

The presentation included many slides of what Absa has achieved compared with other banks. On the latest figures, Absa's return on average assets fell from being already the lowest at 0,95% to 0,87%. Return on average equity was also the worst, as was capital adequacy.

Absa will look for new capital in two years, though not necessarily through a rights issue.

On the brighter side, Absa is the most tradeable share and earnings a share have climbed steadily.

Absa forecasts an improvement in attributable profit in the year ahead. Mr Badenhorst says the top men are in place, rationalisation (job cuts) is 98% complete, feedback says staff morale is rising (especially with each member's R500 windfall announced this week to compensate for trauma) and the group is a long way down the line on problem accounts.

Rusfurn

He had hoped to report one more solution, probably Rusfurn, but could not.

Mr Badenhorst also expects that the fortunes of the banking sector will not be as good as they have been in recent years.

Absa must shine in tough circumstances if it is to gain the ratings of the smaller players in the sector.

Listed vehicles in for a rough ride, says market economist

BDay 14/6/93

THE year ahead will be a difficult one for listed property, with maintained to lower distributions being the norm, Edey, Rogers property economist John Rayner says.

"As the property market usually reacts with a time lag of between 12 and 18 months to the general economy, we feel that mid-1994 should see the bottoming out of the property cycle with the successive years of 1995 and 1996 being perceived as the next upswing period," he says.

Investors need to monitor fundamentals, including vacancy levels, provisions for the non-recovery of arrear rentals and the ability to increase rentals above the final escalated levels at the time of lease reviews or renewals.

The institutional market is finding it increasingly difficult to locate well-tenanted investment grade properties at an acceptable yield for their property portfolios. (58)

"As a result, we expect demand for both property trust and property loan stock companies to be underpinned by continued allocation by the institutions of at least 10% or R3,5bn to R4bn of their net annual cash flow to direct and indirect property," Rayner says.

The current dilemma of listed property vehicles is that they are influenced by two distinct markets — the physical market and the equity market.

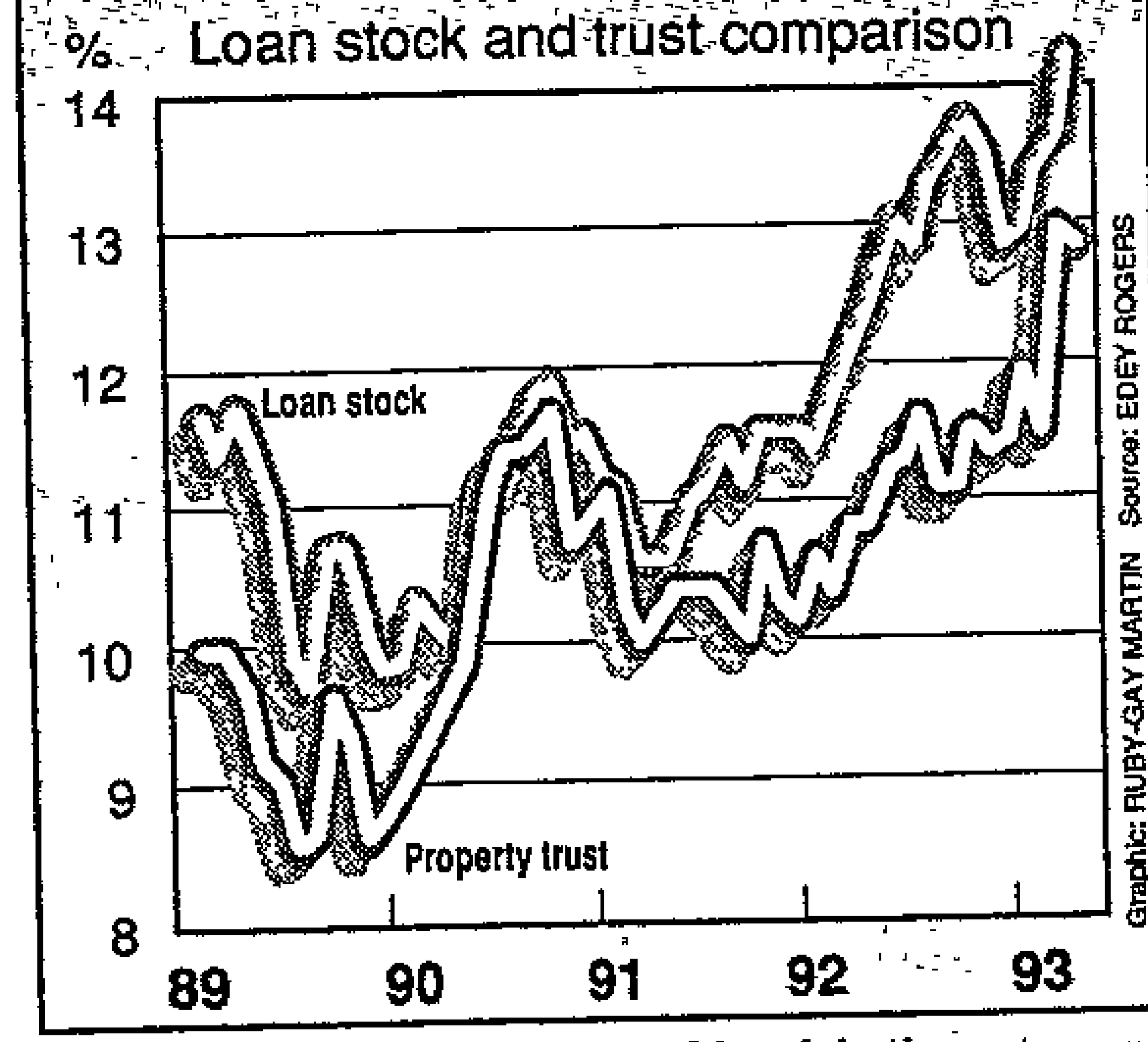
"Currently, the forward investment yields on listed property vehicles are higher than similar quality fixed property initial yields; that is, listed property vehicles are cheap relative to their underlying assets," he says.

A continued upward rating of listed property vehicles could be expected over the next 18 months towards the 11% yield level. Investors are viewing listed property as an alternative to a money market instrument, Rayner says.

The current historical yield of the property trust sector at 12,8% compares with the current historical yield of the property loan stock sector at 14,1%. "This 1,3% differential in yield is far too wide and leads me to believe that the loan stock sector currently offers better value than the property trust sector."

"However, one must be aware that the historical yields of both sectors reflect the average yields of the components that comprise the sector. What is more important is the selection of individual companies within each sector," Rayner says.

PROPERTY DIVIDEND YIELDS



A boom is on the cards — EPBS

B/DAY 14/6/93

IF a political compromise can be reached in the near future, a 3% growth rate led by an industrial property boom is on the cards for SA, says EP Building Society GM operations Koos Siebrits.

"The general downward movement of the inflation rate and low money supply growth augers well for a one percentage point drop in the bank rate later this year,' he says.

A subsequent drop in prime, combined with the stimulatory 1993/1994 Budget, leave room for improved growth, which Siebrits says will come from a boom in industrial activity. (58)

Rise

Any upturn in the local economy will be due to a rise in industrial activity, primarily in the small business sector. "This is when demand for mini-factories will soar. It will then become essential to create commercial and industrial units smaller than 1 000m^2 for use by entrepreneurs."

Rode Report editor Erwin Rode says he expects the inflation rate to stay well below 10%, thereby dramatically reducing inflation expectations from the previous 15%.

"This implies that the current hurdle or discount rate of more than 22% is ridiculously high and is due for a significant reduction. This reduction will be manifested in declining escalation rates rather than capitalisation rates, even though the latter may slide marginally," he says.

This will boost the values of properties with long leases, holding all other factors constant. "I expect that escalation rates will drop from the present 12% to as low as 10% this year," Rode says.

Absa 'jumped the gun' by disclosing its capital needs

B/Day. 14/6/93

SHARON WOOD

ABSA's public announcement that it would need capital within two years was premature, an analyst said at the weekend.

He said the announcement was a major reason for a 45c fall in the group's share price to R9 after the release of its annual results early last week. But on Friday, the share gained 25c to close at R9,25.

Absa has the lowest risk-weighted capital to assets ratio of the "big four" banks. Nedbank, which comes in third on the list, lifted its capital adequacy to 9,57% in March from 1992's 8,23%. Absa announced in its results that its ratio was 8,1%.

One analyst said Absa's reported earnings growth had been in line with his expectations. But he said Absa's price to earnings ratio of 7,45 was the lowest of the "big four", and it would probably remain under pressure in the expectation of the bank coming to the market to raise capital.

"Absa doesn't have the rating to get capital on favourable terms," he said.

He said many shares had been created by the group in the past few years and there could be a case of indigestion in the market.

(58)

One analyst suggested Absa should have indicated its capital situation was comfortable for the foreseeable future and should have then taken the market by surprise.

But Davis Borkum Hare banking analyst Graham Baillie was happy with Absa's capital position and did not foresee the group encountering problems in raising the capital. Its results had been very good and he was surprised the share price had not reacted more favourably.

He said Absa did not have to raise equity capital but could, for instance, issue seven-year debentures, which were effectively a long-term deposit. The group could also issue scrip dividends but Baillie pointed out that Absa had a moral obligation to pay out dividends to its large component of individual shareholders. A mix of dividend payouts and scrip dividends could be the solution.

Another area of major concern in the market is the perceived management shortage at head office. One analyst said the group needed to recruit capable people in key operating areas because it had hard work ahead to retrieve market share lost during rationalisation. However, he said the organisation's strong Afrikaans culture could limit its choice of capable people.

But analysts were confident the group would do well this year. One said Absa would probably show healthy earnings growth because of lower debt provisions and tax payments.

Election date sets shaky market back on course

BDay 14/6/93

RECENT positive political developments have renewed hopes that the downward spiral in the commercial and industrial property markets over the past few years has bottomed out.

This follows the recent setting of a tentative date for SA's first non-racial elections, a move well-received by the property industry following the setback it suffered after the Hani assassination.

Before the assassination, the commercial and industrial property markets had begun to reflect increased investor and tenant confidence.

This was evident in increased activity, a slight improvement in some rental levels and the start of the phasing out of rent-free periods and other concessions.

(58)

However, the assassination threw the country into turmoil, which was reflected in a severe decline in activity in the property market.

Most of the local deals that were under negotiation at the time were either shelved or cancelled, while almost all offshore deals were terminated.

However, the negativism surrounding this event has been largely offset by the fact that multiparty negotiations have continued and players seem committed to a democratic SA.

"The recent announcement that a provisional date has been set for democratic elections has boosted confidence locally and abroad," says SA Property Owners' Association executive director Brian Kirchmann.

"Many of those deals that were shelved have been taken up again, while offshore investors have again expressed their interest in investing locally."

However, before any large-scale foreign investment takes place, the issues of social unrest, violence and crime have to be addressed. If the new SA remains socially unstable, it will see little external investment, he says.

However, while most property brokers see some light at the end of the tunnel, the building industry remains in the doldrums.

Activity — which is presently at an all-time low — is not expected to pick up before the end of the year, depending on political developments.

Building Industries Federation of SA (Bifsa) executive director Ian Robinson says while there are a number of factors that point to an improvement in the industry, these are unlikely to filter through before 1995.

"This means that many building firms will not be able to hold out that long. Most of them are already tendering below cost and few are actually making money," Robinson says.

"Last year about 400 firms, in the formal and informal sectors, were liquidated and this could rise to about 600 this year."

Disillusioned

A recent survey by BMI-Building Research Strategy Consulting Unit found that a sense of hopelessness was starting to emerge in the building industry.

Some 13% of the 120 contractors and homebuilders surveyed countrywide were completely disillusioned, while 32% said any improvement would depend on a political settlement and social security.

The major financial institutions — the largest investors in the commercial and industrial property market — are adopting different investment approaches.

Old Mutual Properties is becoming more cautious and not undertaking speculative or high-risk investments, while Sanlam Properties is to consider taking greater risks and looking at alternatives to traditional, risk-free investments.

While the commercial and industrial markets have remained under pressure, with rentals only showing nominal growth due to lease escalations, some brokers feel the possibility exists that rental levels may start to rise and reflect real growth over the next year.

The oversupply of commercial space continues to dominate that sector, but Anglo American Property Services sales and marketing director Grahame Lindop says that as soon as the upturn comes, this will be rapidly absorbed.

"For the first time ever, construction of new office blocks has virtually come to a halt. This means that when demand increases, the present oversupply will be taken up in about 18 months to two years and a shortage will develop."

Star 14/6/93

Sanlam sounds alarm bells on economy

Claire Gebhardt

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South Africa faces irreparable harm if its economic decline is not halted, Sanlam warns.

Alarmed at the extensive damage already done to an economy in its fifth year of recession, chief economist Johan Louw says declining investment, the emigration of skilled people and the collapse of businesses could weaken the economy to such an extent that it would be difficult to restore long-term growth.

Unemployment has reached such alarming levels that selective infrastructural projects to create employment have to be implemented.

He also calls for a mild relaxation of monetary policy and a limited depreciation of the rand.

Growth this year or even next year is unlikely, he says in Sanlam's latest Economic Survey.

"Real GDP grew by a seasonally-adjusted 0,8 percent in the first quarter of 1992, but excluding agriculture, the growth rate was a negative 0,5 percent against a negative 0,4 percent in the fourth quarter of 1992."

The prolonged recession and the recent drought has seriously disrupted production and spending.

"Manufacturing and construction, the sectors which provide the most jobs were the most seriously affected."

However, general government and the private financial services sector have continued to grow while real consumer spending has begun to decline.

"Real domestic investment - the driving force behind economic growth — has shrunk by a third in the past four years."

Incalculable harm to the economy has been caused by a net outflow of capital, since 1985, of more than R42 billion, mainly for political reasons.

"This has had to be balanced by surpluses on the current account of the balance of payments — money which could instead have been used for growth."

The recent increased net outflow on the capital account of the balance of payments (BoP) has resulted from the continuing unstable political situation, differences in interest rates between South Africa and its foreign trading partners and leads and lags in foreign payments and receipts.

"In the five months up to the end of March 1992, the Reserve Bank had to negotiate foreign loans of more than R2 billion to support the country's foreign exchange reserves."

Need seen for revised property tax

Star 14/6/93

By Meg Wilson

CAPE TOWN — The redistribution of wealth and rural land reform programmes are likely to have a dramatic impact on tax structures and policies.

So says Professor Riel Franzsen of the University of Pretoria's department of mercantile law.

He told delegates to the annual Property Owner's Association (Sapoa) convention last Friday that property tax was the most important tax levied at local government level. 58

It was likely to account for 40 percent of local government revenue and 3,7 percent of estimated total revenue for 1993/4.

However, property tax was currently levied only in "white" cities and towns.

There was no tax on rural land — land outside municipal boundaries — although its possible introduction was being researched and widely propagated by some political groupings.

Outskirts

Low-cost housing on city outskirts, including townships and squatter camps, was making more and more demands on local authorities in terms of land provision, lengthy service connections and huge bills for sprawling areas difficult to clean and maintain.

The question was how local authorities could broaden their tax bases to include the inhabitants of informal townships or squatter settlements when their inhabitants have few occupational rights and are often mobile.

"And to what extent can the present property tax base be extended to finance mergers of white and black areas and upgrade public services?"

Thorough research was needed on local government finance issues and should include the possible introduction of further user charges, betterment levies, a rural land tax and other, new land-related taxes at local or regional level.

It would also include the possible extension of municipal boundaries to include all areas currently outside them.

Scheme to protect mail order buyers

Star 14/6/93

By John Miller
Star Line

Direct mail order companies are considering an insurance scheme to protect consumers should firms fold before goods are delivered.

Executive director of SA Direct Marketing Association (SADMA) Mel Brooks said consumer protection was a high priority.

The decision to launch an insurance scheme is timely following the recent liquidation of Fonem International Group Corporation, one of South African's best-known and the first marketing company to advertise on TV.

Fonem, which was a member of SADMA, has left hundreds of consumers out of pocket and they are likely to receive very little from a liquidation settlement.

Brooks said one of SADMA's members had gone to the UK to study protection schemes for consumers.

One proposal is that members take out insurance which will cover them in the event that they fold. An insurance company will provide a quote shortly, he said.

"We are serious about this and are working flat-out to have it up and running by December this year."

Unfortunately, like the association, the scheme will be voluntary. Members who join the insurance scheme will get "an enhanced logo", said Brooks.

The association is also considering barring and throwing out members who refuse to join the insurance scheme.

Brooks pointed out that not all mail order companies ask for money upfront. In fact the biggest such company did not.

Under the code of practice, he said members were not supposed to clear and bank credit card deposits until goods had been sent.

Lynn Morris, national president of the Housewives' League, welcomed the proposed insurance scheme and said it was long overdue.

Morris suggested that companies should not be allowed to deposit any money until the goods were posted. This could be part of the agreement with the insurance company.

Syndications: handle with care

Star 14/6/93

By Alide Dasnois

CAPE TOWN — The mushrooming of property syndication schemes poses serious risks for investors, says Professor Louise Tager, head of the Business Practices Committee.

She told the Sapoa convention that these schemes generally attracted smaller investors who did not always realise their money was locked into the scheme; that unlisted shares could not be traded in the same way as listed ones.

"We're not saying these schemes should be stopped, but people must be properly informed. Full disclosure is critical."

The committee welcomed steps taken by Sapoa to regulate property syndication. But it would not hesitate to take steps against misleading advertisements offering unrealistic profits.

Investors considering syndication schemes should know they did not entail property transactions; that investors did not own the property and that public companies were obliged to issue a prospectus before offering shares to the public.

Expectations

The committee was also considering steps to protect consumers against the misleading use of words in transactions.

Professor Tager said words like ownership, property and share-blocks were being loosely used, creating expectations in the minds of consumers which were not met.

Examples of possible abuses:

- Share-block schemes — "The public does not understand that being a shareholder in a share-block scheme does not mean owning the property. It is the company in which they hold shares that owns the property."
- Life-right schemes — "These are nothing more than leases for life. The term life rights conveys the impression that the holders have a form of title, which they do not."
- Retirement villages — Elderly people were often attracted to these schemes by the promise of security and frail-care centres, but "security is often not provided and frail-care centres, if they are constructed at all, are more often than not used as recreation facilities".

This would constitute a harmful business practice, she said. The legislation on retirement villages was under review.

Making banks accessible to all

Star 14/6/93

By Bruce Cameron

CAPE TOWN — Banking will never be the same again if full advantage is taken of plans to open up a nationwide network of mutual banks.

Banks at the moment are quite happy to accept the savings of low-to-middle-income people — just as long as they don't have too many transactions in one month and meet minimum balance requirements.

But they are not keen to lend money to the very people whose money they take into safekeeping.

The effect is that a large proportion of the population is effectively excluded from the formal banking system, which places severe limits on individuals wanting to buy homes, start businesses and fund education.

And with moneylenders claiming they need high returns for high risk, low-income earners have been made more vulnerable by the Government's decision to lift the provisions of the Usury Act on personal loans.

Mutual banks are in effect banks owned by the people who use them.

(58)

They can offer limited cheap services or sophisticated and expensive ones.

The intention of the Government in changing banking law to allow for the establishment of the banks is to offer affordable banking to all.

The announcement of the legislative changes comes at a time when banks, always a political target, are attracting attention to themselves with profits that keep rising, even in recession.

Banks are increasingly being seen, justly or unjustly, as unfeeling and not playing a constructive role in improving the lot of all South Africans.

Financial institutions argue that they cannot take risks with the money of their investors and point to politically inspired bond repayment boycotts to back their arguments.

Critics argue that banks have become interested only in being corporate banks.

This is backed up by figures contained in the recent annual report of the Registrar of Banks, showing a 32,5 percent increase to R2,6 billion in income from banks' "knowledge-based trading and other fee income". This is primarily income from banking for large companies.

The report also bears out widespread claims that banks are pushing up the cost of retail banking to reduce the number of low-income customers.

The banks have, however, accepted in a limited way that they have to do something to make affordable banking available to all.

The main thrust of their action has been to support the Community Banking Project, which has been investigating affordable banking for people with low incomes.

The project has already thrown up some interesting figures, including the fact that the financial assets of blacks in urban areas totalled R7,5 billion last year.

Of this, R1,6 billion was held in savings accounts with an average balance of R850, and R1,4 billion was in investment accounts.

But R4,5 billion was in informal financial institutions such as stokvels, credit unions and burial societies.

Cas Coovadia, chief excutive of the Community Banking Project, says the concept of community banking is being investigated because the formal financial sector has failed to address the banking needs of the majority of South Africans who "are either inappropriately banked or not banked at all".

Urgent call to invest in future

B/Day 14/6/93

LINDA ENSOR

CAPE TOWN — An urgent call for business to forgo expectations of short-term returns and to invest in the reconstruction and development of the country was made by Liberty Life vice-chairman Dorian Wharton-Hood at the annual conference of the SA Property Owners' Association on Friday.

"We must forget the idea that the criteria for investment should only be optimum, immediate, direct return. If we do not forgo the expectation of short-term gain in favour of potential long-term returns, in a few years we shall no longer be able to expect any returns at all," he said.

SA's impoverished communities could not rely exclusively on the political system for their welfare and progress. While creating wealth, business also had a crucial role in redistributing that wealth, particularly by redistributing opportunities.

Wharton-Hood urged business to adopt share option schemes to enable employees to become shareholders and to support affirmative action programmes.

"Only when we have fulfilled these obligations to help the disadvantaged help themselves do we have any legitimate right to insist on our rights to a free market, little government interference, low taxation, foreign exchange freedom and the freedom to unbundle our corporations as and when we see fit," Wharton-Hood said.

SABC chairman and Idasa policy director Van Zyl Slabbert said the forces in SA seeking the centre in the areas of stability, growth, redistribution and legitimacy outweighed those fleeing from the centre, giving cause for optimism.

However, there remained a threat of violence and militancy on the outer flanks, which made negotiation with the right wing urgently necessary. There could be no prospect of holding elections unless ways were found to marginalise violence.

Refurbishment is an alternative

BIDAM 14/6/93.

RISING demolition and construction costs are forcing property owners and developers to consider refurbishment, instead of new development — but only in select locations.

Concor Property Development GM Ian Clark says: "One of the major problems is overcapitalising a building in an area where accommodation and property values do not support it. It is seldom cheaper to knock down the old building and rebuild it as the demolition and removal costs are very high."

Pressure

In addition, the oversupply of office space and the downward pressure this exerts on rentals means few suburbs could command the rentals required to make a brand new development financially viable.

"Cosmetic renovations are mostly employed in a recession, while major renovations are often undertaken in boom times. However, this depends on the view the property owner takes of the market — with the institutions in a far better position to take a longer-term view and experience an initial deficit," Clark says.

The Solomon Brothers — three property owners in Cape Town — agree, saying rising demolition and construction costs, as well as time constraints, are encouraging property developers to look seriously at refurbishment.

A refurbished building does not have to be less comfortable and, in many cases, is able to offer cheaper rentals, they say.

The brothers bought the former Saambou building, renamed 45 On Castle, in the Cape Town CBD, last year and spent about R7m on refurbishment.

Stripped

58

Each of the 11 floors of 660m² were stripped and rebuilt, while security features were introduced and more lifts, kitchens, restrooms, airconditioning and light fittings added to bring it to A-grade status.

The asking rental is R20/m².

Tenants already signed include Saambou, Heyns and Partners, Pleroma Insurance Brokers and the SA Council for the Aged.

Industrial market 'not as bad as commercial'

(58) (40) (30)

B/Day 14/6/93

THE industrial market appears less affected by oversupply than the commercial market, with little land and space available in more than half of the Johannesburg industrial nodes, the latest Russell Mariott & Boyd Trust industrial property guide shows.

Of 60 industrial areas in Johannesburg, there is little land available in 41, while 37 have little available space.

"There has not been much growth in industrial land prices, as much of it is not well located.

In addition, many companies have rationalised in the recession.

"The market has also started to move away from the multi-level, obsolete space," says RMBT director Nick Harris.

The RMBT property guide shows that industrial land values range from R50/m² in areas like Alrode, Chamdor, Robertville and Wadeville, to a high of R230/m² in Eastgate and R220/m² in Kramerville.

Rentals range from a R4/m² low at Chamdor — which reflects a medium availability of land and space — to R12/m² in Eastgate, where little land and space is available.

In Durban, 13 of the 23 industrial nodes have little available land, while 16 reflect little available space. Land values are fairly diverse, depending on the area and stand size.

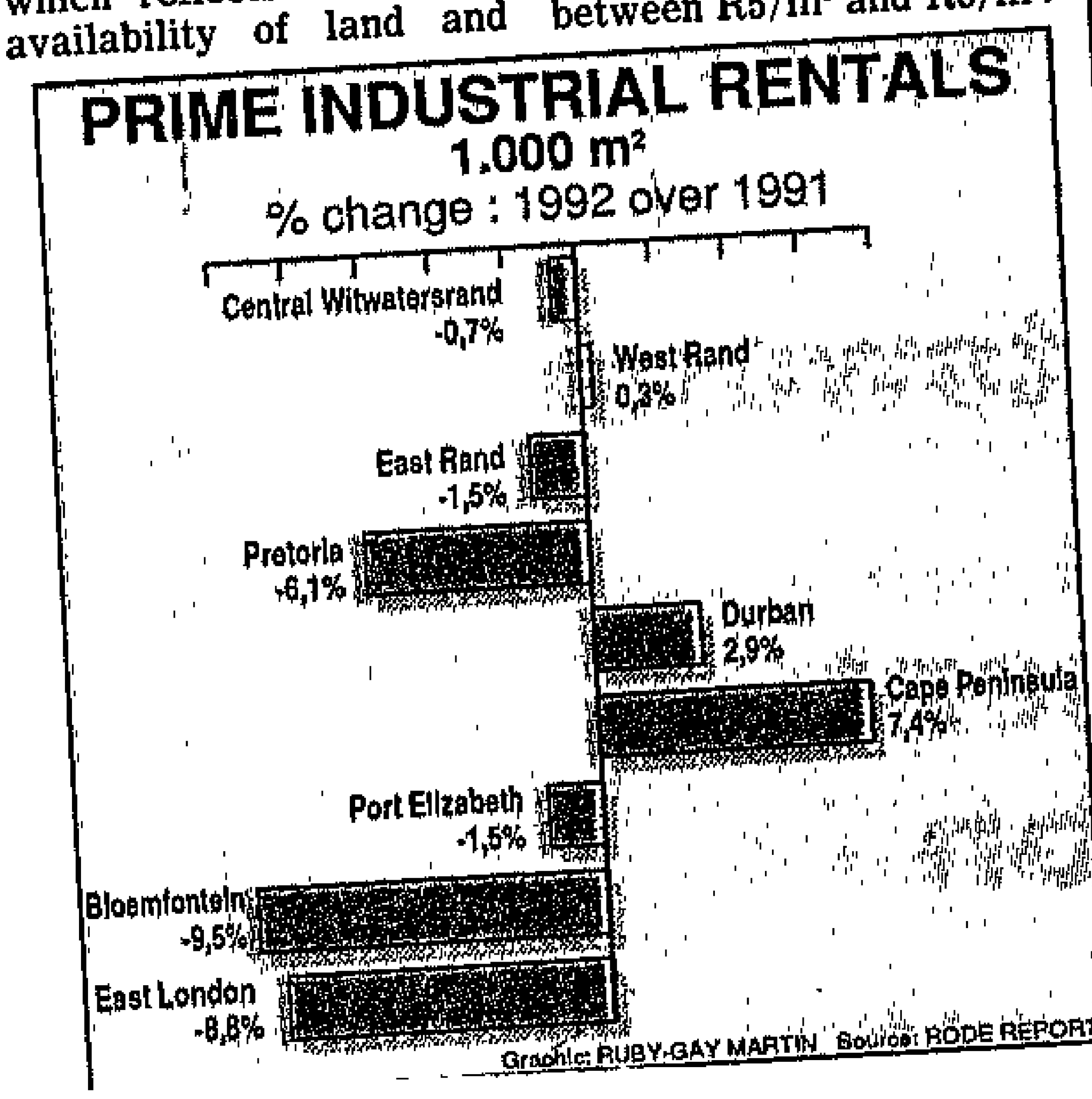
In Hammarsdale, the average stand size is 50 000m² at a land value of R5/m2, while stands of 20 000m² at Cato Ridge have a value of R10/m².

"In contrast, a 2 000m² stand at Mayville and a 1 000m² stand at Umgeni both have a land value of R300/m2, while a 2 000m² Springfield Park industrial site is worth R275/m²," says Harris.

Monthly rentals range from R3/m² at Hammarsdale to R10,50/m² at Springfield Park.

In Cape Town, the City and N'Dabeni industrial areas have no land available, while 11 others have little land for development. Land values range from R30/m² in Norwood/Phillipi for an average 10 000m² site to R200/m² for a 4 000m² Paarden Eiland stand.

Monthly rentals average between R5/m² and R8/m².



'Vacancies are worse than numbers show'

BTDay 14/6/93

THE oversupply of commercial, industrial and retail space is worse than statistics show, says Old Mutual Properties investment manager Ian Watt.

Company rationalisations have resulted in a lower space requirement for commercial and industrial property, but this is not yet reflected in occupancy statistics. (58)

"One simply does not know how much leased space is being occupied, but in most cases landlords are receiving rental for this spare capacity," he says.

However, when the leases come up for renewal, space take-up is likely to reflect the diminished requirements and this will place an added drag on any market recovery.

People are increasingly being replaced by computers and other forms of advanced technology. It is unlikely these jobs will be recreated, Watt says.

"So, if we have rentals that are not growing, vacancies that are increasing and a shrinking workforce, the next turnaround is quite a long way off — probably three years or more.

"Furthermore, an economic upturn does not automatically mean that more people are going to be employed, particularly in the office market. When the economy does start to take off, it will be quite a while before businesses grow into existing space," he says.

This means that rentals are unlikely to increase before demand begins to rise. But, for that to happen, the country needs economic and political stability.

This scenario has forced Old Mutual Properties to adopt a much harsher view of developments and does not bode well for the construction industry, he says.

"One needs to have a close look at property stock and determine whether it is still suitable. Some vacancies are caused by the state of the building rather than the market."

Good buildings will continue to attract tenants and, while rentals may grow at this end of the market, B- and C-grade property will come under pressure, he says.

Industry bodies offer improved education service

BDay 14/6/93

EDUCATION is the buzzword in property circles and most of the industry's representative bodies are upgrading and improving this service to members.

The Institute of Estate Agents is committed to offering members and non-members improved education alternatives.

This, in turn, will result in more knowledgeable, efficient and skilled estate agents, which will benefit the public and the broking community.

Munro Donen, chairman of the Commercial and Industrial Brokers Association — a division of the institute's southern Transvaal branch with 300 members — says the association is committed to providing a better service to commercial and industrial brokers.

"This will include providing ongoing education for our members. In the past we have been called elitist for offering our facilities only to members. Non-members will now also be welcome to attend our courses and make use of the services we offer," he says.

The need for continuing education has become more important in light of the recent decision by the Estate Agents Board to do away with the compulsory exam for estate agents.

Course

The institute, in conjunction with the business economics department at Wits University, has introduced a three-day property course covering aspects of the commercial and industrial property market.

The course will also be covered in evening classes over three weeks. Successful candidates will be awarded the Certificate of Commercial and Industrial Specialists.

"Other courses are offered in conjunction with the National Property Academy. The institute is currently considering a system whereby members will have to undergo some ongoing education before being awarded an approved designation that will separate them from those who have not," Donen says.

Institute members are not only bound by the new stringent Estate Agents Board code of conduct, but also by the institute's own internal code, which goes a step further in trying to protect the public and the industry.

"We are also attempting to create a better relationship with the board and are already working together on some projects. The board is there to protect the consumer and the institute to assist the broker so there is no reason why we should not work together.

Effect

"Deregulation will also have an effect on our industry and the time may come when the two bodies are merged," he says.

While the board recently decided to scrap the compulsory exam, it says it cannot overemphasise the value of undergoing a formal education course.

Chairman Eskel Jawitz says the board will continue to urge all candidate estate agents with the "necessary degree of aptitude and background" to undertake a board exam course and write the exam.

"As an added incentive, the board is to introduce an approved designation for those who have already passed a board exam, as well as those who intend doing so in the future," says Jawitz.

Extended

The SA Property Owners Association (Sapoa) has also extended its education programme for members by introducing a proactive education programme to encourage underprivileged communities to participate in the industry.

"The intention is to allow those students who excel to be introduced to our members to enable them to gain practical experience and become actively involved in the industry," says executive director Brian Kirchmann.

Sapoa has been a major supporter and funder of the three-year National Diploma in Real Estate course run by Technikon RSA.

Commercial and industrial property

Tvl investors give auctions thumbs down

B/Day 14/6/93

980

58

THE sale of commercial and industrial properties by auction has not been well received in the Transvaal, as it still carries the stigma of being a forced or liquidation sale.

This is in spite of the hype surrounding these auctions last year, when they were touted as a niche market and a growth area in the industry.

J H Isaacs Transvaal auctioneering head Wayne Wright says there is little demand for auctions of commercial and industrial properties.

"This method has not achieved the support we thought it would, as it is still regarded as a sale of last resort — generally a forced or liquidation sale. It is a bargain hunter's paradise out there."

He recently attended an auction where the business machinery and equipment were to be sold with the property. About 50 people attended the auction for the machinery, but left when it came to the property.

"If a property is well located and reasonably priced, there is no reason why it should not be sold by private treaty. This is preferable, as it is embarrassing and costly if the property is not sold because no one attends the auction," says Wright.

A J C Burchmore Auctioneers spokesman says, however, that there is a growing awareness of auctions as an alternative to traditional broking.

"The public needs to become aware that this is an acceptable way of selling property," he says.

Auctions are a far quicker way of selling property and the price obtained is often an accurate reflection of its market value. But, for this to be achieved, the negative connotations associated with auctions need to be removed, the spokesman says.

After moving into their new premises at Wynberg recently, John Griffin Auctioneers and J C Burchmore formed a property division, known as Burchmore's Properties. It will be involved in selling, leasing, leasebacks and auctions of commercial and industrial property.

Paul Vermaak, who will head up the division, says: "Although the recession is biting, people are looking for cheaper buildings, so there is a lot of movement".

Acceptance

Pam Golding properties' auctioneer Hugh Denny says that while the Cape Town market still largely perceives it as a liquidation method rather than a selling method, it is starting to gain acceptance.

"We have handled a number of auctions this year and none of them were liquidation sales. While we are seeing some distressed sellers, we have decided not to undertake any liquidation sales," he says.

Denny says if the media adverts are correctly worded and the marketing prior to the auction is correctly handled, it is generally successful. "But we have to work extremely hard before the auction.

"I find a number of auctioneers are not experienced or skilled enough to create the excitement and competition necessary for it to be successful."

Durban-based Williams Palmer Associates director Sheila Williams says auctions are one of the most popular means of selling property in Durban.

"Demographics and market education play a part. With Natal having a large Indian population, there was a significant change when the Group Areas Act was dropped two years ago.

"This resulted in an influx of investors and the auction route has proved to be the most popular vehicle for them."

Sellers in the Transvaal are prone to over-expectations on price, while buyers see auctions as the place to pick up property at bargain prices. This results in an imbalance, making the market unconducive to successful auctions, she says.

"Once the economy picks up, the time will be right to relaunch auctions on the Reef," Palmer says.

Demand remains strong in Durban CBD and Maritzburg

BDm 14/6/93.

THERE is still demand for quality commercial and industrial properties in the Durban CBD and Maritzburg areas, several top brokers say.

"The current high office vacancy rates appear to have had little negative effect on the forward planning of existing institutional owners and investors in the Durban CBD," Williams Palmer Asoociates broker Ivor Smith says.

The latest SA Property Owners vacancy figures for the Durban CBD stand at 28% for A-grade space and 8,9% for B-grade space.

The first phase of the redevelopment of the Durban CBD's West Street/Gardiner Street corner, by Old Mutual Properties, will bring about 36 000m² of office space on to the market, he says.

Old Mutual Properties regional manager Charles Oxenham says the first phase 33-storey office block, with four floors of above-ground parking, will become the Old Mutual's regional headquarters when the development comes on line in the beginning of 1996.

"The R150m first phase was designed around Old Mutual requirements. We will take up about 10 000m² of the commercial space. The 15-storey second phase will be considered once the first phase is completed.

"We've done our sums and are quite confident the annual take-up in space over the three years to 1996 will not mean we will denude other buildings and leave major vacancies," he says.

National and local traders are also competing for exposure to the high pedestrian traffic volumes in the popular West Street retail trading node. This was evidenced by the sale of 389 West Street, previously known as Dodos Arcade, to local traders to secure their trading positions.

Reg Wall of Dave Short & Wall says an analysis of sales shows that investors have begun to re-enter the market. The largest number of sales is still to owner-occupiers, and letting has increased significantly.

"While owner-occupiers remain the most aggressive buyers of property in the current market, investors have begun to capitalise on lower interest rates. The Maritzburg commercial market remains oversupplied," he says.

In Maritzburg, rentals remain under pressure, ranging between R6/m² and R10/m², with smaller properties under 500m² being the most popular.

Space larger than 500m² remains difficult to let, he says.

"We feel that the light industrial sector will continue to attract owner occupiers," Wall says.

Deals put on the backburner after Hani assassinated

B/Day 14/6/93

THE recent assassination of SACP chief Chris Hani had a marked negative effect on the commercial and industrial market, brokers say.

Property Negotiators director Munro Donen says a number of deals that were being negotiated at the time were cancelled, while other prospective deals were put on hold as people adopted a wait-and-see attitude.

"Whenever something like the Hani assasination or mass action takes place, our phones ring off the hook as tenants in the Johannesburg CBD become nervous and want to decentralise.

"However, as soon as the initial shock has worn off and things revert to normal, the matter is soon forgotten. This is reflected in the fact that some of the deals placed on hold at that time are again under negotiation or have been concluded," he says.

Russell Marriott & Boyd Trust industrial director Nick Harris says the Hani incident was a temporary setback.

"We launched our Aeroport industrial estate directly after this and a number of deals were accordingly lost, particularly prospective owner-occupiers.

GRAHAME LINDOP

"Decisions were shelved for a few weeks and then the market picked up again. While we have concluded 19 sales so far, this would undoubtedly have been more had sentiment been better," he says.

However, Anglo American Property Services sales and leasing director Grahame Lindop says Hani's assassination did not have an effect on the commercial market.

"The mass action programme and stayaways associated with the assasination affected the retail market, particularly in the Johannesburg CBD.

"Retail turnover countrywide, not just in the CBD areas, is under huge pressure at the moment. While the most vocal are CBD retailers, I am not convinced they are doing badly just because they are located in the CBD."

SA Property Owners' Association executive director Brian Kirchmann says the events around the Hani dealth saw almost all local deals put on the backburner, while a number of international deals were cancelled.

"The local market is more resillient and used to these developments and recovers much more quickly, but international investors are a lot more wary and do not return easily.

"If we do not sort out our political problems quickly, prospective investors will merely place their money elsewhere," he says.

Seeff Commercial properties MD Colin Blacher agrees, saying many people are sitting back and waiting to see what develops politically before committing themselves.

"While a number of deals were put on hold after the Hani assasination, many of them are back at the negotiating table. There is, however, a lot of uncertainty among investors and those considering a move."

Upswing awaits a political settlement

B/Day 14/6/93

ANY upturn in the property market will hinge on a political settlement and the resultant growth in the economy, SA Property Owners' Association (Sapoa) executive director Brian Kirchmann says.

"The major players in the property industry have pulled together in the difficult times of the past few years. But, while I am confident conditions will improve, this is closely related to political and social stability," he says.

The recent assasination of Chris Hani and the arrest of senior PAC officials were setbacks for the negotiating process and economic recovery.

"If the violence can be contained, this will result in a more stable investment climate and will go a long way to ensuring both international and local investment return," Kirchmann says.

RMS Syfrets director Mike Brown says the sooner a final date is set for non-racial elections the better as this will boost confidence and result in the growth of new businesses and the development of commercial and industrial properties.

"An interim government will see us become more credible with the international community and, once this happens, activity will increase. The high level of violence also needs to be addressed."

Kirchmann says Sapoa has established a tourism committee as it believes there is an opportunity for property development in the establishment of the required tourist infrastructure.

"We have also been invited on to the National Economic Forum and we feel this is very positive," he says.

The recession has affected Sapoa membership negatively, but not as much as had been expected. The facilities offered to members and the networking achieved as a result of this helped support membership, he says.

perty

Some still rush in where the others invest cautiously

B/Day 14/6/93

WHILE some of the major institutional property players are becoming far more cautious in their investments, others are becoming less conservative and increasing them. (58)

Old Mutual Properties investment manager Ian Watt says it is becoming more difficult to consider investment and development proposals and opportunities.

"While we are applying normal selective criteria, it is becoming more difficult to find suitable properties for investment and development. We have also tightened up on speculative developments," he says.

In the past, expenditure on speculative developments mopped up a good deal of the institutional cash flows, but this avenue is closed due to the oversupply of space.

"For the past two years, we have been saying there has been too much speculative development in the market and almost all of our investments have to be substantially tenant driven," he says.

However, Sanlam properties MD Johan Treurnicht says it expects to increase its new property investments by about 25% to more than R1bn in the financial year to end-September 1994.

"However, ~~to achieve~~ this we will have to consider taking greater risks and looking at alternatives to those risk-free, guaranteed investments.

"We will have to be more adventurous and less cautious in our investment approach — but always remembering that it is our policyholders' money and acceptable returns have to be generated," he says.

Opportunities

Areas of growth under consideration by the company was the retirement village market, and opportunities that could come from the establishment of export processing zones.

The privatisation of some public corporations has also created opportunities and Sanlam is talking to a number of parties in this regard, Treurnicht says.

Watt says most of Old Mutual's efforts have been concentrated in buildings with good, financially sound tenants that are well located and offer an acceptable return.

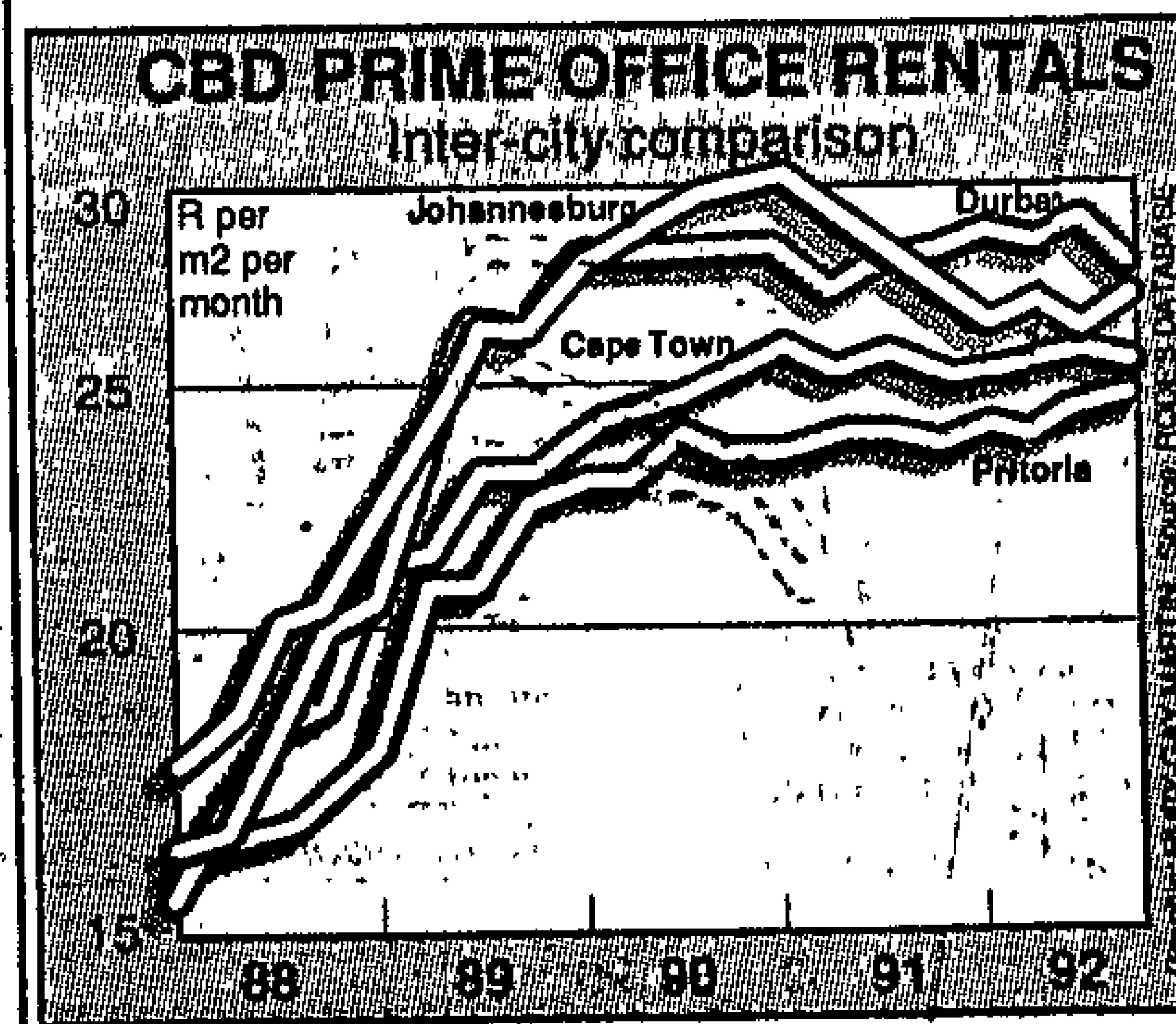
"While we actively acquired industrial land some time ago, we are developing a large amount of this. The present market has forced us to manage our decisions more carefully in regard to the utilisation of land holdings," he says.

Old Mutual is still buying land in areas where it feels there is growth potential, while some of its older office blocks — particularly in the Johannesburg CBD — have been closed and classified as future development sites.

Liberty Life Properties CE Wolf Cesman says property investment opportunities for the group exist in three main areas: strategic investments, adding value to existing properties and selected investment opportunities.

"Strategic investments include our R120m investment in the recently announced Sandton Square development, while we have invested another R120m in various properties," he says.

Strategic and added value investments include the refurbishment and extension of Sandton City at a cost of more than R60m, R145m for the refurbishment of the Sandton Sun hotel and the new Sandton Sun Towers and a R10m refurbishment of Greenacres in Port Elizabeth.



Where something special brings in something extra

THERE is still demand for offices that offer something extra — and tenants are prepared to pay a premium for this space, Rode Report editor Erwin Rode says.

"We first noticed this in Cape Town, where rentals at the Waterfront commanded significant premium over CBD rentals, while rates for offices right on the water were still higher," he says.

Latest reported levels for Portswood Ridge offices — in the Waterfront area but away from the quayside — are R32/m² against R27,42/m² in the BP building.

"This gives the Waterfront a head start of around R4,50/m², while the achievable market rental for offices on the water's edge is R36/m2 — a premium of R10/m² over top CBD rentals."

Even inland water seems to have a special attraction. Brokers specialising in Transvaal "waterfront" offices in Bruma and Verwoedburgstad feel that water's edge space could probably command an extra R1/m², he says.

However, office rentals for most nodes and grades were down in the first quarter compared to the previous quarter, the latest Rode Report on the property market says.

"Notable exceptions include rentals for A and A-plus grade space in the Johannesburg and Pretoria CBDs — which both edged up marginally — and the Sandton CBD, which was the best performer of all the nodes surveyed," Rode says

Rentals in Johannesburg's decentralised nodes, which performed "reasonably well" up to now, did not perform well in the first quarter. Sandton rentals were up strongly, but those in Rosebank, Parktown, Illovo and Randburg all slipped back slightly.

Foreigners help hotel industry see the end of tough times

B/Day 14/6/93

THE hotel industry — particularly in the western Cape — is reflecting good offshore and local buying interest in spite of the current uncertain political and economic situation in the country.

Pam Golding Properties' hotel and leisure division MD John Pistorius says more than 25 hotels worth over R40m have been sold by the group in the past five years.

"The hotel and leisure industry in the western Cape is experiencing an upswing not seen in any other part of SA. We concluded sales of R5,5m in May alone, which included the sale of Cape Swiss Hotel in upper Kloof Street," he says.

The group was also taking "a proactive approach" to the international marketing of its hotels and one of its representatives was visitng all its international offices to introduce the available properties.

"The Cape has become the preferred location for buyers and we are receiving more inquiries from upcountry and well as international buyers looking for investment opportunities in the western Cape," Pistorius says. (288)

Hotel Broking Services MD Rory Stear agrees, saying international investor activity has "picked up markedly" this year.

"While the Hani assassination slowed down some deals, none were cancelled as a result of this. We are dealing with two German investors looking to invest about R8m in existing hotel operations," he says.

There is a lot of activity in the western Cape, particularly for hotels, guest lodges and restaurants. The Victoria & Alfred Waterfront development has attracted good interest and HBS is involved in three deals in this regard.

There is also renewed local interest, particularly at the affordable end of the market. Many of the major hotel chains are actively looking for new sites for their budget hotels, he says.

"Another trend is the refurbishment of existing hotels. The quality of local hotels declined during the sanctions era and this now has to be addressed. There is also demand for properties and game farms in the eastern Transvaal and Durban.

HBS has more than 30 hotels on its books countrywide and has sold in excess of R40m worth of properties since early 1991.

"Our association with Robert Barry in London is helpful as it serves as a source of international buyers," Stear says.

... surprising ... r — Rode

14/6/93

"We spoke to MidCity in Pretoria, which confirmed the take-up was possible ...

Cape Town rentals down but mood buoyant

BDay 14/6/93

OFFICE rentals in Cape Town have plunged by about 32% in real terms over the past two years, says Broll Property Group office leasing division manager Andrew Tozer.

"There is currently also an oversupply of office space in all segments of the market. Vacant A- and B-grade space in the western Cape is presently estimated at 122 900m² or 11% of the total 1,08-million m² available," he says.

The oversupply is expected to continue throughout the year as a number of new developments — including the 24 000m² Safmarine House and 17 875m² Metropolitan Life building — come on stream.

However, the relaxation of sanctions and the change in the political climate has resulted in increased office leasing opportunities due to growing offshore interest.

"This trend has kept the office leasing market fairly buoyant despite the oversupply, even though rent-free periods of between three and six months are being negotiated," he says.

Landlords have taken notice of this trend and have reduced rental levels in some instances. In other cases, increased installation allowances and rent-free periods are being offered to attract tenants.

"Tenant retention is now the priority and landlords have started to address tenant problems speedily. This new market orientation has allowed tenants to renegotiate current leases at favourable rental and lease terms," Tozer says.

Flurry

58

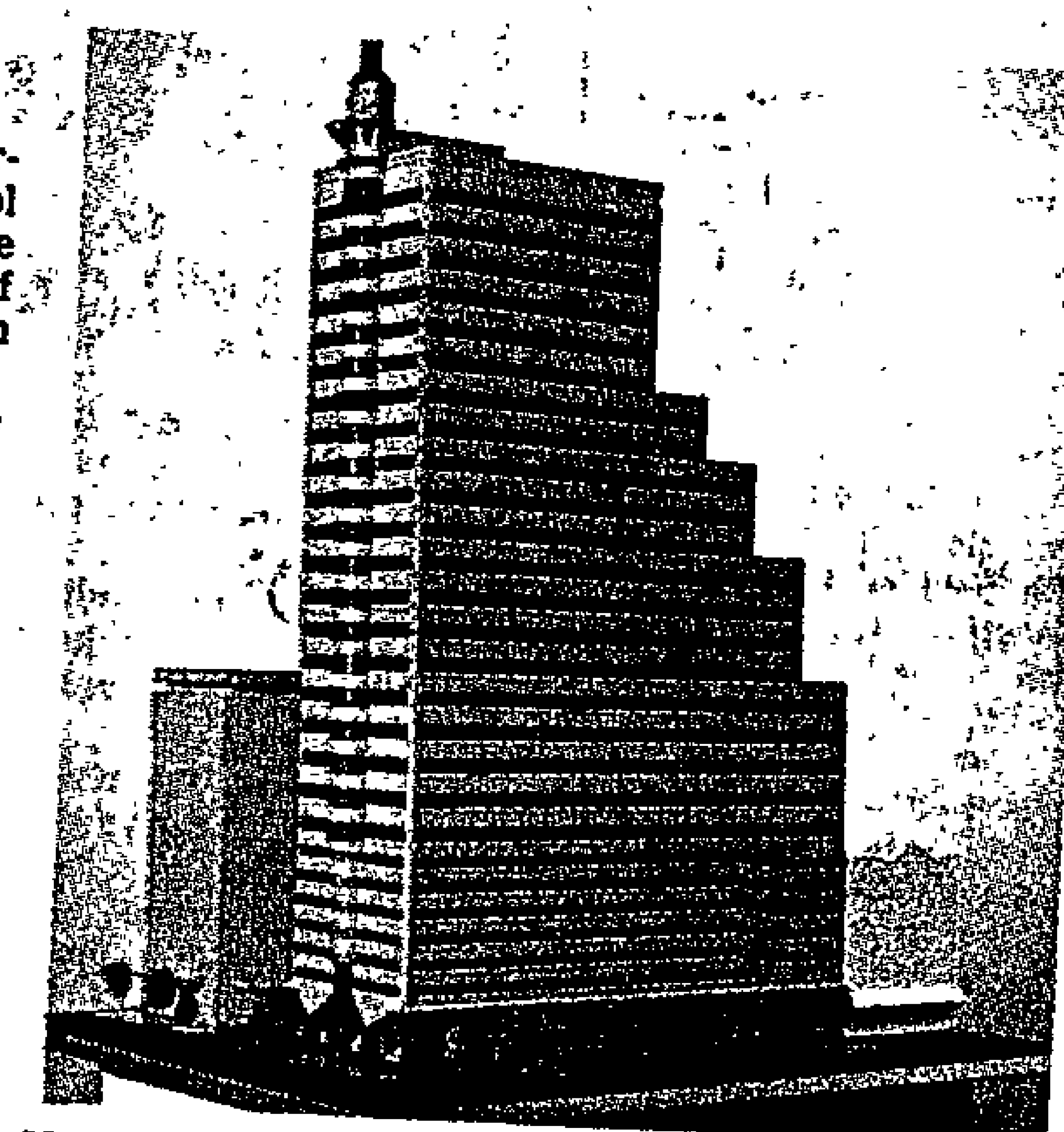
However, the news is not all bad. The first quarter of the year started with a "flurry of activity" and, although most of the activity centred around the small to medium space users of up to 500m², 30 lease negotiations were concluded.

The group believes the western Cape office letting market will experience an active year but that rental levels will only begin to strengthen at the start of 1995.

However, Seeff commercial division director Errol Diamond says there will be an increase in the value of commercial properties in the near future.

"There is a shortage of prime investment properties in the Cape due to the influx of prospective buyers from around the country," he says.

Investors interested in placing their money in property need to adopt a long-term view. Interest rates have come down over the past few months and, if this continues and yields remain constant, then property investment will be an attractive option to investors with "lucrative" long-term benefits, he says.



Metropolitan Life's 17 875m² Metlife Centre on Cape Town's foreshore.

Sanlam to offer new unit trust

CT 16/6/93

SANLAM was to introduce a new unit trust, the company said yesterday.

One of the existing funds would also be converted to pursue investment opportunities more aggresively.

The new fund, Sanlam Income Trust, would concentrate on interest-bearing investments, including long term stocks. It aimed to provide a higher income for investors with a need for a regular income.

Investors would not be directly exposed to the stock exchange, although the market value would be affected by fluctuations in interest rates.

Sanlam Dividend Trust was being converted and would be renamed Sanlam Prima Growth Trust. Although it would remain a general trust it would have greater flexibility as a smaller fund. — Sapa

New Sanlam unit trust

Business Staff 58 ARG 16/6/93

SANLAM is introducing a new unit trust and is also converting one of its existing funds to pursue investment opportunities more aggressively.

The new fund — Sanlam Income Trust — will concentrate on interest-bearing investments (including long term stocks). A Sanlam spokesman said investors would not be directly exposed to the stock market, although the market value would be affected by fluctuations in interest rates.

Sanlam Dividend Trust is being converted and will be re-named Sanlam Prime Growth Trust. The fund would remain a general trust — but its greater flexibilty as a smaller fund would be used to manage it more aggressively, the spokesman said.

B/Day 16/6/93

Banks seek softer rules

GRETA STEYN

MERCHANT banks — hard hit by recent changes to banking legislation — are holding discussions with the Reserve Bank in the hope that they can convince the Bank to modify the new rules.

The changes, which increase expensive cash reserve requirements, are bad news for the smaller trading banks such as Rand Merchant Bank, Prima Bank, Securities Investment Bank and Investec. (58)

Merchant Bankers' Association (MBA) chairman Stephen Koseff, of Investec, confirmed yesterday that a subcommittee of the MBA and General Bankers' Association was talking to the Bank on the changes to liquid asset and cash reserve requirements. "We are hoping for reasonable progress in terms of a mechanism for calculating the requirements."

Banks are required to hold cash and liquid assets in reserve against their liabilities to the public. Recent changes to the way in which liabilities are calculated raised the cost of holding reserves.

The Reserve Bank confirmed that discussions were taking place. Deputy Bank Governor Chris de Swardt said that any bank with a problem in meeting the requirements could apply to the Registrar of Banks for exemption, but the Bank had not given a blanket exemption and cases would be considered individually. He added the new requirements were being phased in over 15 months and that banks would have the opportunity to change their way of doing business.

Merchant banking sources said that in some cases, the cost of cash and liquid asset requirements would have a serious effect on profitability, and would require a radical change in the way these banks operated. It would require a move off-balance sheet, which the Bank would not

☐ To Page 2

Banks

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☐ From Page 1

want but might be powerless to stop.

Trading banks that "carry" capital market stock were especially exposed, as they would have to hold costly reserves against a balance sheet item that did not entail risk and was not a liability in the conventional sense, a dealer said. The big commercial banks were not affected to the same extent because their vault cash would count towards the requirements. (58)

Bankers expected the Reserve Bank to exclude banks' liabilities to one another from the calculation of total liabilities against which reserves had to be held, while other changes might also reduce the cost. However, the banks had not yet received formal notice of a modification.

In the longer run, the possibility existed that trading banks could convert into trading houses that did not have to comply with banking legislation. (320)

De Swardt said, however, that these operations would also have to comply with capital requirements. These requirements were still to be determined, and the creation of new securities trading companies was still being debated.

PROPERTY

Office construction fears

BDay 16/6/93

ANDREW KRUMM

OVERALL office building activity in SA's metropolitan areas this year could plummet by almost half compared with 1992 if present building trends continue, says Rode's New Office Development Report editor Gert Tighy.

"New office completions surveyed dropped 48% in the first quarter 1993. When coupled with depressed new office starts, and the pressure of high office vacancies, the overall outlook for office building in 1993 is rather uninspiring," he said.

Should new office completions continue to drop at the rate measured in the first quarter, only 318 672m² of new office space would be built in SA this year, compared with the 655 039m² that came on line in 1992.

Tighy said activity in the Johannesburg area should be most affected as all but large corporates had put the brakes on developing new space.

As a result the number of building completions in the Johannesburg area could decline by about 61% to 47 000m² this year.

"In Braamfontein, Bruma, Illovo, Randburg and even the Sandton CBD, depressed conditions are also evident. Rosebank is the only bright spot in the greater Johannesburg area with 13 762m² in completions expected, compared with 5 000m² in 1992."

However, contrary to the overall trend, completions in the Pretoria, Cape Town and Durban CBDs would increase this year, though not by enough to reverse the national trend.

Planned completions would rise 61% to 14 600m² in the Pretoria CBD, nearly 100% to about 50 000m² in the Cape Town CBD and periphery, and 82% to 37 426m² in greater Durban.

But in places surrounding these major centres, office development was at a virtual standstill.

"In the Sunnyside, Arcadia, Verwoerdburg and Hatfield areas, developers have not planned any new office space in 1993. In Cape Town south and the Tygerberg area, activity is dead or will halt after mid-year."

Tighy said although the level of new office starts planned for 1993 was severely depressed, this did not mean developers had no plans for the future. "About 80 new office developments have been mooted for the Johannesburg area, about 29 for the Pretoria region, 39 for Cape Town and 13 for Durban."

However, most developers would delay the start of these projects for the forseeable future because of the high office vacancies.

Tighy said early 1995 was the earliest that a strong pick-up in office building activity could be expected.

Property investments lose ground with fund managers

BDay 16/6/93

LINDA ENSOR

CAPE TOWN — Property investments had become less attractive for portfolio fund managers under pressure to produce short term returns, Southern Life MD Jan Calitz told the SA Property Owners Association (Sapoa) annual conference last week.

(58)

Enhanced competition had resulted in far more attention being given to the performance of asset categories and allocation of investment funds between them. Since 1983 property had underperformed equities, particularly industrial shares, and had been included in portfolios only to reduce their risk profile.

Calitz believed an upswing in the property market would have to be fuelled by a sustained economic upturn. Assuming the economic upswing got underway in late 1994/early 1995, the property market would experience a turnaround only in late 1995/early 1996.

Contrary to popular misconceptions that property assets performed only in periods of high inflation, he felt confidence and economic growth would have a far greater impact on performance than inflation. An independent survey of major pension funds found that while property represented a weighted average of 12,8% of all assets, mining equities represented 20,1%, industrial shares 43,1%, bonds 17% and money market instruments 7%.

New Sanlam unit trust

BIDAM 16/6/93

LINDA ENSOR

CAPE TOWN — Sanlam is to launch its sixth unit trust, called the Sanlam Income Fund, and convert the Sanlam Dividend Trust into the Sanlam Prima Growth Trust, Sanlam chairman Pierre Steyn announced yesterday.

(58)

The Sanlam Income Trust would concentrate on interest-bearing investments, including long-term stocks, and would aim to generate a higher income for investors with a need for a regular income.

Income would be paid quarterly.

The Sanlam Prima Growth Trust would be a general fund which, because of its small size, would have greater investment flexibility to take advantage of special investment opportunities.

Govt exempts BMA members

B/Day 17/6/93

ADRIAN HADLAND and GRETA STEYN

PRETORIA — The delays in setting up a formal bond market exchange has forced government to exempt members of the Bond Market Association (BMA) from most of the provisions of the Financial Markets Control Act.

In the Government Gazette, due to be published tomorrow, exemptions are granted to all association members to trade in bonds, under certain conditions, until a licence for an exchange has been issued. (58)

Capital market players have resisted creation of a formal exchange as stipulated in the Financial Markets Control Act. The Reserve Bank and the Financial Services Board (FSB) had hoped that by now a formal bond market exchange would have been created with the industry's consent. Dealers said the authorities seemed intent on forcing the market to accept the exchange.

Reserve Bank Deputy Governor Chris de Swardt, who is chairman of the Financial Markets Advisory Board, confirmed that the board had recommended to the Registrar of Financial Markets this monththat the process of formalisation be undertaken as soon as possible.

The matter was handed to the Financial Markets Advisory Board for a final decision after BMA members said the Act should be changed to make the bond market a voluntary, self-regulated market.

After consultation with the advisory board, the Finance Department and members of the industry, it had been agreed to introduce the exemptions as a first step, Registrar Piet Badenhorst confirmed yesterday.

Following tomorrow's exemptions, the manual reporting of all trades in the bond market would be required from September 2 this year.

This was deemed necessary to enhance market transparency, Badenhorst said.

The introduction of a central depository, registered earlier this month, would also reduce tainted scrip risk.

The final steps in the formalisation of the bond market included the introduction of a guarantee fund later this year and implementation of full electronic settlement and clearing by April next year.

High rating given to bank

SHARON WOOD

THE Cape of Good Hope Bank was given a short-term rating of A2 by Republic Ratings yesterday.

Republic director Dave King said this was the highest rating accorded to a "niche bank". B/Day

It had been given after an intensive investigation into the quality and stability of the bank's asset portfolio, funding base and earnings stream. 17/6/93

King said the bank's stable and well-diversified funding base, together with its high quality and well-secured asset base, compared favourably with its peers. (58)

"Risk management is well-formulated, which is underlined by the fact that bad debt write-offs and specific provisions have only averaged 0,2% of assets over the past five years."

Asset yields had improved from 1,1% to 1,5% during this period and return on equity had improved 34% a year, he said.

Kingpin Motlana defects to Sankorp

(S) CT 17/6/93

From GRETA STEYN

JOHANNESBURG. — Southern Life's plan to sell its 77% stake in African Life to the black community suffered a setback when a key player in the plan, Nthato Motlana, pulled out to join forces with rival Sankorp, sources said yesterday.

Motlana became the new chairman of Metropolitan Life when Sankorp sold 10% of its stake in the life assurer to a new company, Methold, in a deal seen as the first major step towards black economic empowerment. It is understood Southern Life's sale of Aflife had been scheduled for an announcement this week, but Motlana "crossed the floor" and forced Southern to delay the announcement and return to the drawing board. The life assurer, in the Anglo American fold, is still committed to putting together a transaction.

Motlana declined to comment but confirmed he had resigned from the boards of Southern and Aflife before the deal with Sankorp. Sources close to Southern Life said he pulled out because of "tardiness" in putting together a deal.

Southern Life chairman Neal Chapman declined to comment on the possible effect of Motlana's departure on the assurer's plans.

Setback for Southern plan

GRETA STEYN

SOUTHERN Life's plan to sell its 77% stake in African Life to the black community suffered a setback when a key player in the plan, Nthato Motlana, pulled out to join forces with rival Sankorp, sources said yesterday. B/Day 17/6/93

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Motlana declined to comment but confirmed he had resigned from the boards of Southern and Aflife before the deal with Sankorp. Sources close to Southern Life said he pulled out because of "tardiness" in putting together a deal.

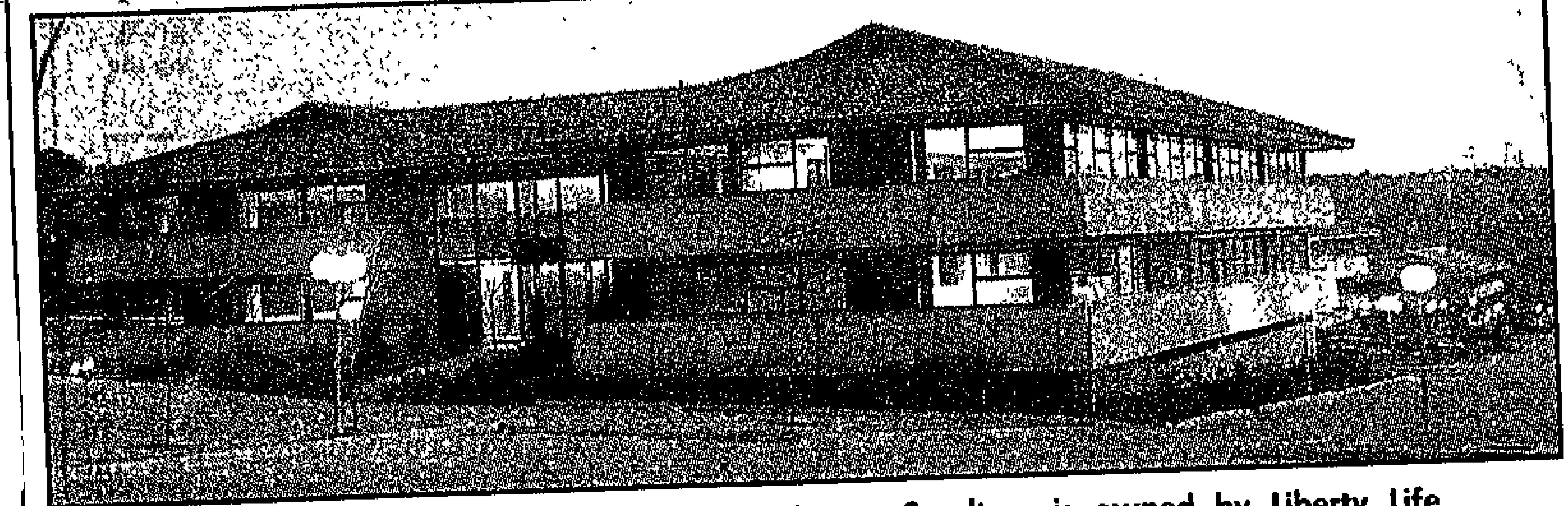
Aflife director Don Ncube, who is also a director of Anglo American, said yesterday it was no secret that African Life wanted greater black shareholder participation. He noted the 1993 annual report said "a specific direction" in regard to participation in ownership of Aflife by black shareholders was being pursued. "If it progresses as positively as we would hope, a major step forward will be possible," the annual report said. Ncube would not elaborate other than to say the situation had proceeded along those lines.

Southern Life chairman Neal Chapman declined to comment on the possible effect of Motlana's departure on the assurer's plans. He referred all queries on possible transactions to the last annual report.

Speculation is that a transaction might be done with the ANC-linked Thebe investment company, but the need to depoliticise the arrangement might create difficulties in following that route. (58)

Southern owns about 77% of Aflife, which has assets of about R313m and gross premium income of R104,7m. Aflife's share price rose 5c yesterday to 490c.

A Star property feature



Ninety percent let ... 171 Katherine Street, Sandton, is owned by Liberty Life Association and managed by Liberty Life Properties.

'Musical chairs' works for LLP

(58)

Star 17/6/93

THERE are few new tenants coming into the property market and movement represents as Grahame Lindop of Ampros, puts it, "musical chairs".

Liberty Life Properties (LLP) is using this trend to consolidate its tenant portfolio to good effect.

Wolf Cesman, Chief Executive of LLP, said that the company had adopted a strategy of not adding to the existing oversupply of office space by creating new space, but rather to reconfigure existing buildings to tenant requirements, and where necessary, relocate tenants.

"This domino principle was particularly effective in our sale of 156 Fifth Street, Sandton to Standard Bank, and in our relocating of tenants to 171, Katherine Street.

"In the case of 156 Fifth Street, a potentially vacant building was refurbished and upgraded instead of a new building created."

This, as well as attracting new tenants not through free rental periods, but through flexible lease

■ DOMINO PRINCIPLE: By reconfiguring existing buildings to tenant requirements, Liberty Life Properties (LLP) has consolidated its tenant portfolio effectively.

periods and "keen deals", has helped LLP show a successful performance in leasing its space this year.

Chris Beehan, Assistant General Manager: Leasing, LLP, said that in terms of square metres, more space had been leased for the first half of this year than in the corresponding period in 1992.

The fact that the overall vacancy factor in LLP's 1,65 million m2 portfolio is only 7,5 percent reflects the success of portfolio management that places a high priority on continued maintenance and upgrading of existing buildings.

A slightly higher vacancy factor of 9 percent applies to LLP's office component but, notes Beehan, "while there is little movement in the Johannesburg CBD, Braamfontein, Sandton and other Northern Suburb areas retain appeal".

He says that demand for well located retail space remains strong and the company has succeeded in strengthening its tenant mix to the advantage of certain centres.

Leasing successes for LLP include the full letting of Parkway Place, opposite Eastgate Shopping Centre, which comprises 9 000 m2 of office space over five floors. This is an elegant building constructed around a marble and glass-clad atrium.

A 90 percent let situation now applies to 171, Katherine Street's 12 500 m2 of space situated close to Sandton CBD. This comprises five two storey buildings with open courtyards in an office park setting with attractive gardens.

Jorissen Place, which now houses the headquarters of Liberty Life Properties, is 50 percent let, but with "firm enquiries" to take it up to 75 percent let by later this year. That leaves a further 7 000 m2 of office space available in this attractive central Braamfontein building.

SA 'can't ignore' development needs

AS with the Consultative Business Movement's (CBM) reappraisal of what sort of investment is in business's interest — concluding that social upliftment is part of staying in business in South Africa — it is time that property investors took a similar view of their investment criteria.

This is a view gaining momentum in the property industry, and one that is backed by CBM member architectural firm, Stauch Vorster.

Stauch Vorster's Gavin Taylor comments: "We must try to create an environment in South Africa in which we would all like to do business. The property industry can play a role in this by investing and developing not only the 'traditional' types of office/retail and industrial developments but widening its view to 'investing' in housing, health and educational developments, community centres, clinics — the non traditional area of development previously left to Government."

As Taylor points out, this requires a "fundamental shift" in the thinking of property developers, experimentation with higher risk and the willingness to start on a "learning curve" that would prove acceptable guidelines for funding and developing 'social upliftment type projects.

"The link between traditional development and a property industry that can survive and thrive in a changing South Africa is empowerment," said Taylor.

In the long term, investment returns will be seen, claims Taylor, referring to World Bank statistics that show the richest countries are those with high urbanisation levels co-inciding with high health and living standards.

A broader base of wealth-distribution and greater urbanisation in SA, can underpin long-term wealth generation in the economy.

Stauch Vorster's policy is that skills transfer to a broader section of SA's population is also important within the property industry, and in the architectural profession in particular.

Very little affirmative action or as he calls it, "capacity building" has taken place in the property industry, claims Taylor.

This could lead to a crunch in skills availability in the near future. Taylor adds that the affordability of property will remain an issue in South Africa and this will require a shift in development and design attitudes, and in the focus of current architectural training programmes at our universities. At the moment, property training tends to be "Eurocentric".

Fast-track, high-tech buildings will remain the state of the art and the requirement for major companies, but they would have to coexist with more appropriate, lower-cost building and construction technologies.

"We need a two-pronged approach. SA must stay in step with global trends, but we cannot afford to ignore our development needs," says Taylor.

Political low spots hit industrial

Star 17/6/93

HIGH and low spots in the country's political life, reflected in levels of violence, can have as rapid an effect on property deals as on business confidence — a change from the days when property's outlook was governed by its three to five year construction lead time and economic intrinsics.

The latter is still true for investors, but for tenants, events such as the assasination of Chris Hani and its aftermath of increased protest action during April, and the violence that swept East Rand townships in May, it can mean refusal to make decisions on deals at the 11th hour that brokers would previously have thought of as concluded.

This was reported by JHI in the office market, but general comment seems to suggest the industrial leasing market may have been the worst hit.

Russell Marriott & Boyd Trust director, Dave Alcock, notes the irony in the fact that the one-time essential for good industrial land — proximity to black residential areas — has in some areas suddenly become its worst feature with examples such as Wynberg, and Marlboro.

Strydom Park on the other hand, which many predicted would fail because of its lack of proximity to labour supply, has burgeoned for exactly that reason.

RMBT's Aeroton industrial project launched in April could not have launched at a worse time politically. Alcock says that inquiry levels, initially good, took a dive during April and May but have recovered as rapidly as they fell and deals have been concluded for 20 stands.

In general, Alcock acknowledges that industrial rentals being achieved in the PWV have not kept pace with inflation, and further, the fact that inflation has come down, has meant rental reviews allow tenants to negotiate still lower rentals because escalation clauses in their leases were too high, based on inflation at 12 percent.

That said, there is a substantial difference across the board in the value of industrial land and rental levels based on location. RMBT has permitted The Star exclusive publication of its latest market research applied to the PWV, and in subsequent issues of our property round-up, will publish similar research for Cape Town and Durban's industrial property markets.

JH Isaacs (Transvaal) industrial leasing and sales director, Wayne Wright, reports a "trendless" second quarter.

"After a healthy kick-start to 1993, the industrial property leasing and sales market largely stalled on the back of ongoing violence," says Wright.

JHI's research indicates that industrial rentals are about 25 percent softer in real terms than they were five years ago. This generally obliges landlords to be negotiable about renewed leases or face tenants moving out.

Several large leaseback deals are being concluded as companies consolidate under one roof, and conversely, many previous "tenants" are becoming owner/occupiers because of the availability of bond finance and lower valuations.

'Credit insurance is essential for survival'

BDay 17/6/93

FACED by SA's high rate of business insolvencies, credit insurance has become fundamental to survival, says insurance broker Charles Nortje.

The senior consultant for Integrated Risk Consultants, a Price Forbes subsidiary, says companies have realised that, in risk terms, capital tied up in customer receivables should be regarded in the same way as funds locked into property and capital equipment.

Before a debtor runs into default crisis he could create cash flow problems for the creditor, and this should be insured against, says Nortje. (58)

However, he says the insurance industry is characterised by a lack of capacity and a hardening of rates.

This is a result of the weak economy and the large and growing demand for cover. "Credit tends towards more of a business risk and is often not suited to a pure insurance treatment."

He says the solution is twofold: companies should improve their credit risk through sound management practices; and the first layer of credit risk should be retained by companies, with credit insurance taken for abnormal losses only.

B/Day 17/6/93

Overcoming shortages of working capital

CASH flow and management time can be improved through factoring, which is suited to rapidly expanding businesses inhibited by a shortage of working capital.

Standard Bank senior manager (factoring division) Clive Brebnor says company cash flow problems tend to stem from delayed debtor payments, difficulty in collecting and administering the debtors ledger and a lack of working capital generally.

He says bad debt risk can be minimised through professional credit advice and efficient debtors administration.

Although poorly structured companies may not qualify for a factoring facility, those which stand to gain most are the undercapitalised, highly geared or over-traded.

While factoring options can be tailored to suit different business requirements, full factoring offers a professional debt collection service and a computerised management information system.

58

Linked

Benefits include:

☐ A financial facility directly linked to turnover with no limit constraints in the case of first-class debtors, for instance where the borrowing limit fluctuates in line with the debtors book;

☐ The availability of finance to secure settlement discount, benefits from bulk purchases and generally better bargaining power;

☐ Ability to extend debtors terms instead of having to grant trade discounts;

☐ The opportunity to draw on knowledge and experience gained by the bank in diverse industries.

In carrying out its primary factoring service, Standard Bank Factors (SBF), for example, offers to check, approve, administer and reconcile sales ledgers, debt collection, general credit decision-making and provide management information.

"This implies at the outset that we become our client's credit manager and adviser.

"We also finance the company's debtors. In effect, we are lending against the security of a company's debtor's book."

Agent

Explaining the option of agency factoring, he says this gives the supplier that factors the chance to act as an SBF agent.

Here the supplier is responsible for its own ledger administration but merely makes use of the financing facility — that is borrowing up to 75% of its debtor's book from SBF.

FM 18/6/93 (58)

INVESTOR PROTECTION (58)

Telltale signs

FM 18/6/93

Investors — who are prepared to sink funds into bread moulds, milk cultures and financial schemes which claim to provide high returns with little risk — generally expect to be protected from their own folly. The victims of a scam often turn their fury on the regulatory authorities.

If regulatory authorities are guilty of anything, it is that their existence creates an illusion they can guarantee the safety of investments. But there is a limit to what regulation can achieve and the Office of the Registrar of Banks is trying to inject some realism into the situation. Prompted by complaints from the public about a number of potentially illegal investment schemes over the past few weeks, and also by schemes advertised in the press, the office last week issued a statement warning against:

☐ Investment opportunities provided by companies not registered as banks; and

☐ Investment schemes that provide an excessive yield.

The statement advises investors to find out whether their funds are to be entrusted to a person or company on an agency or principal basis. "In the case of a person or company acting as an agent, the investor must ensure that a proper mandate is agreed upon and that the agent discloses the amount of the commission earned on the transaction."

It advises investors to "ascertain all the relevant facts regarding an investment opportunity offered to them."

This is such an obvious step that it should not need pointing out. However, after the collapse of the Masterbond Investment Trust in 1991, it emerged that many of its 20 000 investors were ignorant of the status and the activities of the organisation in which many had placed their life savings.

Yet it had all the hallmarks of a high-risk investment — which should have alerted potential investors to the need to check its credentials.

One telltale sign of high risk was the group's rapid expansion into various operations. In 1990-1991, apart from growth in its property development portfolio, it announced plans to expand into air travel, banking and a health & leisure group.

Another sign that the venture entailed high risk was that it offered rates of interest higher than the going rate for similar investments. In March 1989, it was offering 18,5% when most part bond schemes provided only 17,5%. In September that year it announced an increase to 19%, when most other rates on offer were 17,5%-18,5%. A few months later it announced an increase in the rate to 20% (though the rates it provided the *FM* for publication each week reached only 19,75% in the following months). At the time most rates were 18%-19,5%. In July 1990 it repeated the announcement of an increase in rates to 20% and by August, the rate appearing in the *FM's* weekly table was 20,25%. Most other rates on offer were 19%.

Excessive returns are not, in themselves, a sign that an operation is questionable — Masterbond's part bond scheme was not the only one offering high rates. But it is a clear signal of high risk.

Another indication of potential trouble was that the organisation was carrying on a short-term funding operation, not at the time subject to any regulation. Masterbond was formed in 1984 as a part bond company and registered under the Participation Bond Act, administered then by the Financial Institutions Office which has since become the semi-privatised Financial Services Board. It didn't confine its fund-raising to part bonds but started to act as an agent for the issue of short-term debentures by borrowers such as Fancourt and Mykonos.

This was not illegal as the issue of debentures took place in terms of the Companies Act. But, had investors made the necessary inquiries, they would have been in a better position to assess the risks involved in the specific investments into which their funds were routed.

Having failed to take any of these precautions, many investors upbraided the financial authorities, the Reserve Bank and the Financial Services Board for the debacle. The latest statement from the Office of the Registrar, which falls under the ambit of the Bank, is an attempt to prevent a repetition.

There is, of course, a cost to stringent regulation. Board CE Piet Badenhorst says it is important for SA to have "minimum standards of regulation which are compatible with key international standards as far as it is possible and reasonable. The trick is to find standards that are not so tough that industry withers."

A system that is entirely safe for investors will provide minimal investment opportunities. To enable a balance between safety and opportunity to exist, investors must accept responsibility for their actions.

Their best protection lies in gathering and evaluating information. They make the decisions and have to live with the consequences of their choices. ■

MONEY MARKET (58)

Holy Grail

FM 18/6/93

Any hopes that the three-month bank bill future, introduced to the money market in May, would provide a credible benchmark settlement rate, appear to have been dashed. Trade in the instrument, which is based on a bankers' acceptance, has been very low since inception and is likely to remain as illiquid as its predecessor, the liquid bankers' acceptance future.

That contract was never well-traded because of illiquidity of the underlying security; banks held on to their acceptances to satisfy their liquid asset requirements or for use at the Reserve Bank's discount window.

Safex had hoped the instruments would be freed for trade now that the liquid asset status of the bankers' acceptance has been abolished, and the instrument is no longer eligible for re-discounting at the Bank.

It claims banks undertook to quote doubles (a buy and sell rate) with an acceptable (10 point) spread. But, so far, three of the major banks, Absa, First National and Nedcor, have quoted two-way prices only erratically. "I don't believe we ever committed ourselves to doing so," says FNB's Mike Law: "You can't expect us to quote a two-way price if we don't always have the stock."

The Association of Corporate Treasurers' Tom Makinson says the bank bill future rate is "the rate at which a lender would give cash to its AAA-rated customers. It is not linked to a true underlying instrument, so the opportunity to arbitrage between the futures rate and the underlying instrument is non-existent."

Much of the problem lies with use of the bankers' acceptance as a benchmark, for want of anything better. Corporates writing contracts, such as interest rate swaps and forward rate agreements, use the acceptance rate as quoted by Safex or by the bank involved.

Makinson says the crunch could come when the market turns. "At the moment the big corporates have too much cash and the banks are sitting pretty. When the economic upturn comes, interest rates tick up and, hopefully, when the commercial paper mar-

cont

FM 18/6/93. (58)

ket gets going, parties will focus on their costs of debt, and demand a finer and more representative settlement rate."

So what can the market come up with as its benchmark?

In many advanced markets, it's based on the interbank cash market rate. In the UK, the London interbank offered rate (Libor) is used. Something of the sort is suggested here by Clive Connors of interdealer brokers Connors & Blyth: "What we would do is line up the banks on the bid side and the corporates on the offer side, and negotiate rates between them at different maturities and for different kinds of borrowers. This should provide the kind of benchmark we feel the market requires."

But market participants are sceptical.

One view is that no real cash market can exist as long as the Bank uses the shortage to implement monetary policy. Says Law: "This leaves us no scope for interbank trade. So the only rate applicable is the Bank's accommodation rate, which is determined by monetary policy."

Law says a true cash market can emerge only once government deposits are moved from the Bank to the tax & loan accounts of the commercial banks — thereby keeping government cash flows in the banking system. "Hopefully then, with the Bank working off a shortage of about R500m, something will happen."

Another view is that an interbank cash rate would not remove the counterparty risks inherent in the system. With only four major banks setting bid rates, rates would automatically rise where their counterparty limits are exceeded. Hence such a rate would contain a large element of the counterparty risks between the banks, rather than be representative of a prime borrowing rate.

This has been a problem in the UK, even though far more banks are involved in the market.

An alternative would be for banks to estimate a risk-free, short-term rate — and the average of these estimates would be the benchmark. While the rate has no underlying instrument, it nevertheless has the advantage of being risk-free — which an underlying instrument would not have. According to the British Bankers' Association, such a rate is already being used in the UK as an alternative to Libor.

Makinson believes a commercial paper rate — applicable to AAA-rated companies — could ultimately turn out to be the benchmark. "Obviously, that's not a pure rate as it contains an element of risk premium, but it's about as prime as one can get, since a major corporate is often less risky than a bank." ■

SAPOA CONVENTION

FM 18/6/93 (58)

Looking for the silver lining

Standard Bank chief economist Nico Czypionka had pessimistic news for leading lights of the property industry in Cape Town for the 27th annual convention of the SA Property Owners' Association (Sapoa). He says that for the remainder of the year zero or — possibly even negative growth — is likely.

The upside, however, is that the first and second quarters of 1994 look healthier and positive growth could be expected in the sector. This view is supported by a plethora of indicators that the economy is starting to stabilise. A sustained increase in the gold price and world economic recovery in the remainder of 1993 would reinforce the positive trends.

The longer-term outlook, Czypionka says, will depend on whether SA can get on top of its domestic problems. Economic growth will be contingent on internal rather than external factors and the nature of any political accommodation. Of four possible circumstances of the years 1993-1996 the two more favourable ones, he says, are a 2,5% growth rate, which would not be adequate, and one of between 4%-5%.

Pepcor chairman Christo Wiese believes how SA deals with urbanisation will be paramount. By the year 2010 the projected population of 60m will be nearing its carrying capacity of 80m. Of that figure 48,5m will be black, 33m of whom will be urbanised with obvious consequences for housing, employment and social services.

He says the "creation of pleasant megacities and a stake through property ownership in the cities by its inhabitants must be our target." He notes that in developing countries, cities generate 60% of GDP principally because they have the necessary — and superior — levels and concentration of economic activity, labour, infrastructure and services. He believes an appropriate national directive aimed at promoting the cities as engines of economic growth is vital in SA.

The likely devolution of power from the central government to regional and local government levels in a new SA and the extension of municipal boundaries to achieve the ANC's vision of one-city, one-tax base, would have important consequences for property taxation. According to department of Mercantile and Labour Law senior lecturer Riëll Franzsen, the introduction of a tax on rural land is being researched and widely propagated by some political groupings.

This may include, among others, the possible introduction of further user charges, betterment levies, a rural land tax and other new land-related taxes at a local and regional level. Should the municipal boundaries be changed, and/or property taxes broadened to include former black townships and possibly all rural land, the cost of establishing a valuation role and keeping it up to date will become critical.

Czypioka ... *telling it like it is*

But the creation of and possibly the simplification of a fiscal register of property is a prerequisite for an equitable and administratively feasible future property tax system, he believes.

Franzsen says the ANC's view of the functioning of local government is that "all areas that are functionally linked should form a single tax base" but it envisages "some central government control over the nature and extent of local government taxation." ■

RMB PROPERTIES

FM 18/6/93

Putting it together

(58)

The acquisition last week by Momentum Life Assurers of Rand Merchant Bank Holdings' wholly owned subsidiary Rand Consolidated Properties (RCP) and its merger with Momentum Life Properties (MLP) had a certain inevitability about it.

The move places RCP's trading and development expertise and MLP's R1bn property portfolio under the same roof and is a natural consequence of the merger between the two holding companies last year. The new company will be called RMB Properties.

RMB Holdings, which controls 70% of Momentum Life Assurance, will now take RCP out of a former satellite position and place it under the Momentum Life structure. RMB Properties will be the sister company to RMB Asset Management, which manages nonproperty assets for Momentum and other investors as well as Rand Merchant Bank and Momentum Health.

Managing the new company will be two former RCP executives and one former MLP executive. Last July RCP MD Bryan Jackson and financial manager Warren Shultze were seconded to MLP to assist in the management of its portfolio. Explains Jackson: "MLP was formed when Momentum Asset Trust, which managed all the assets of the Momentum Group, including property, was reconstituted. At the same time, management of Momentum's non-property assets were hived off into RMB Asset Management, an existing company started two years prior to that."

Momentum Life chairman Laurie Dippenaar says the infusion of former RCP senior staff is already beginning to have an effect. Attention is now being paid to adding value to the properties in the portfolio.

A previous report on Momentum Life's property assets (*FM* August 28 1992) showed that the overall portfolio registered an average 7% vacancy factor. Broken down by sector, the highest vacancies were in its industrial property portfolio (13%). This was higher than the vacancies in its office buildings (5,9%) and its retail developments (0,6%). It was also one of the highest among the institutions where industrial vacancies are measured. However, as a proportion of its total portfolio, industrial property accounted for only 21% of its property interests. Retail made up 30% and offices 49%.

Since then there has been some reorganisation within the portfolio. Vacancies have now been reduced as a result of the new team's work, with the overall level now standing at 5,9%. By value, retail property presently accounts for 27% of the portfolio, industrial property 11%, and offices 63%.

Jackson notes that before his secondment, the decision had already been taken by Momentum's management to realign the portfolio. "Continuing in this vein, we traded out about R60m worth of property in the last year, mainly older properties valued under R10m in the Johannesburg-Pretoria corridor where most of MLP's property is located."

MLP will now become a dormant company. Jackson is the new MD of RMB Properties, operations director is Gerrie Cronje — an ex-Momentum employee formerly in charge of new developments — and Warren Shultze is the financial director.

Not included in MLP's R1bn direct investment, are Momentum Life's investments in the listed Hyprop and Abcon variable loan stock companies, where its stakes are 37% and 27% respectively. The management of these investments, however, will also become the responsibility of RMB Properties.

To handle Momentum's large portfolio, RMB Properties is upgrading its systems, research and valuation expertise. Appropriate acquisitions and disposals are on the agenda, as well as the refurbishment and upgrading of various properties as part of its strategy to add value. RMB Properties will also be offering its development, value enhancement and property management services to its investor clients.

Says Jackson: "Any new acquisition will have to justify itself. It isn't as if we have set aside a certain fixed amount to apply to property. One of our stringent criteria is that any new development must be tenant driven.

"The industrial vacancy factor has come down significantly to 9% (measured by area) as a result of an intensive marketing effort we've made to lease space in our minifactories in Wynberg, Wadeville and Robertville. Offices as a proportion of the whole portfolio have not changed. More small properties will be traded in the next year. If we can sell another R50m-R60m worth, we will achieve our objective in upgrading the portfolio. Most of those we've sold to date have been to private investors."

Flagships of the Momentum portfolio are the Momentum Life office building on Rivonia Road in Sandton where RMB Properties has its office. Next door to this building, RMB Properties has office rights for a further 75 000 m² of gross lettable area, which it is planning to develop over the next five years. Jackson says marketing will start within the next few months.

Others are The Wheel shopping centre in Durban; a substantial office and retail development in Epsom Downs, Bryanston; an investment in Verwoerdburg (including Momentum Life's HQ) and various community shopping centres such as Rand Park in Blackheath and three retail centres in Pretoria. These are the Quagga Centre in Pretoria West, now being revamped to the tune of R4m; Jacaranda Centre in Pretoria East, and Lynnwood Ridge shopping centre in Pretoria East. Jacaranda, Rand Park and Lynnwood are anchored by Pick 'n Pay. Edgars, OK and Pick 'n Pay anchor Quagga. ■

The less you want, the more you pay

Review|Law in W|Mail 18/6-24/6/93 58

If you want a mortgage or a large loan from a bank, the interest rate is fixed by law. But people who want very small loans — less than R6 000 — have to pay astronomical rates, reports ODETTE GELDENHUYS

CONTROVERSY rages among lawyers about the lifting of limitations on interest rate charges for small loans. On December 31 1992, Finance Minister Derek Keys exempted all loans of R6 000 or less from the provisions of the Usury Act.

Previously, the stipulated maximum interest which could be charged on these loans gave some protection to the young, the inexperienced and the poor.

What the change means is that moneylenders — banks, building societies, certain non-governmental agencies involved in money lending, pawnbrokers and loan sharks — can all charge interest as high as they like on small loans.

Until the Usury Act was changed,the maximum interest rate was 31 percent on loans of R6 000 or less and 28 percent on loans in excess of R6 000. (By comparison the interest rate on home loans, whether R40 000 or R400 000 is currently about 16 percent.)

This means that consumers who borrowed R6 000 under the old Usury Act (31 percent maximum interest rate), would have paid R1 860 interest in one year and R5 580 interest over three years.

Today, consumers borrowing R6 000 at, say, 42 percent, would pay R2 520 interest in one year, and R7 560 interest over three years. In other words, the borrower will now have to earn an extra R1 980 to repay the higher interest bill.

It is a complex issue. The moneylender wants low risk, secure returns — an interest rate higher than the cost of the lender's own funds — and profitable administration. At the same time, small non-corporate borrowers are viewed by lenders as a high risk — they lack the profile and credit worthiness of the corporate clients who, until recently, have been the mainstay of most financial institutions.

Christine Glover is the manager of the non-profit Group Credit Company which makes small loans to borrowers in the black community, who would not be able to obtain loans from commercial banks. She says costs attached to such loans are so high that had they not been exempted from the limitations of the Usury Act, her company would not have been able to survive.

In the view of Professor Louise Tager, executive director of the Law Review Project and one of those partly instrumental in the change, one must be realistic and ensure laws reflect the reality of what already exists out there.

Small borrowers have long complained about their lack of access to credit. With the promise the informal sector holds for emergent black business in an otherwise hostile economy, renewed efforts are being made to extend credit to this new class of borrowers. In addition, the desperate housing shortage has made it essential to increase finance for those who want to expand their homes or even purchase materials for informal building.

Moneylenders argue that small borrowers present a higher risk than big borrowers due to lack of security or guarantees that the lender will pay. To counteract this problem, the Group Credit Company is using a new scheme which has built into it an incentive to repay.

Their effective interest rate on a loan under R6 000 over two years is about 49 percent per year. "Good" borrowers over the whole two-

Professor Louise Tager ... Laws must reflect what's already out there

year period would receive 25 percent back at the end of the loan period, thus paying an effective interest rate of 36,7 percent.

"Bad" payers are borrowers who pay late or not at all. "Bad" payers would pay the full interest — R2 934 in interest in order to have access to a loan of R6 000.

But, according to a leading development lawyer who asked not to be named, the very notion of charging interest rates over 30 percent to the poorest, is offensive. "It is socially unacceptable to charge the poorest of the poor the highest interest rate."

Bankers on the other hand say that with the Usury Act restriction on small loans now lifted, the higher interest rate can compensate for the higher risk and higher administrative costs. If this is so, credit should soon be extended to small business people and consumers on a much larger scale than ever before. Sceptics, however, say such claims have been made in the past about other credit schemes, and have usually not lived up to expectations.

The changes in the law do give consumers at least one benefit: at the time the loan is granted, the moneylender must now stipulate in rands and cents what the consumer has to pay — including details of the interest. This makes small credit transactions much more transparent. It is an innovation in consumer protection that should also be applied to hire purchase agreements and other small transactions.

Was there no alternative to raising the costs of borrowing? Perhaps financial institutions, the primary backers of the Usury Act exemption, must accept their social responsibility in respect of ordinary people in this country.

I believe financial institutions could cross-subsidise within their consumer base and charge the small borrower less rather than greater interest on loans.

This would mean the borrower paying a more reasonable monthly interest charge, thus increasing the likelihood of repayment followed by further borrowing.

As the development lawyer quoted earlier says: "The interest of the banks must be balanced against the interest of the poorer communities. It is a social issue, not only a financial issue. The banks must look at their viability in the long terms as financial institutions but they must also look at their role as socially responsible institutions."

●Odette Geldenhuys is an attorney with the Legal Resources Centre, Johannesburg.

A quick cure for crash-and-bash rows

Review/Law in W/Mail 18/6 - 24/6/93. (58)

Settling insurance claims out of court saves time and money for all parties involved. LINDA MACUN reports on alternative dispute resolution

THE idea of applying alternative dispute resolution methods to resolving insurance claims is sometimes dismissed by lawyers as "faddish". But the idea of settling such disputes outside of court, with the help of a third party, goes back a long way.

For example, 200 years ago the Insurance Company of America, a principal subsidiary of the prestigious Cigna Corporation, included a clause in its insurance policies that in the event of a dispute, if the parties could not settle the matter themselves, they would use a mediator.

With rapidly rising claims and premiums it is important for the local insurance industry, its legal advisors and clients to examine why countries like the United States are reviving private dispute resolution techniques originally established so long ago.

US insurers say they like alternative dispute resolution (ADR) because it is so much cheaper and quicker than litigation. It is estimated that litigants in personal injury and property damage cases pay 55c in every dollar awarded in compensation, for legal fees and the administration of insurance claims.

Comparative figures are not available for this country. However, local insurers and their clients should look critically at what the present system is costing them in last-minute settlements and in cases that go to court.

Lawyers concede that many cases are settled on the steps of the court or during court recess. Even though such settlements will save court costs, it is still an expensive exercise, because fees for preparation and for counsel have been incurred and must be paid.

Lawyers in this country, as in the US, complain about the long delays in reaching court. For insurers it must make sense to use ADR because it resolves disputes early and cuts out many obvious and hidden costs.

In the current recession, long-term relationships should be preserved where possible. By contrast with the highly charged and adversarial atmosphere of the courtroom, ADR provides parties with an opportunity to settle their disputes with less acrimony. In addition, the privacy of the ADR process allows parties to avoid the publicity of the courtroom.

ADR will be less costly than litigation in cases where expert opinion is required, for example, in engineering, construction, personal injury and professional negligence cases. Disputes over the amount of damages and cases in which accounting evidence of loss of profits is relevant would also be appropriate for ADR. Insurers may also consider ADR for multi-party disputes in which there are conflicting allegations as to liability.

It is possible to mediate small claims. In most cases these claims are too expensive to litigate and are often abandoned or summarily settled. Mediation would provide an inexpensive alternative to litigation, allowing parties in small claims to participate in resolving the dispute. A short-term insurance company recently asked for a demonstration of ADR at work — and saw a mediator from the Alternative Dispute Resolution Association of South Africa (Adrasa) settle a small crash-and-bash matter in an hour instead of a day or more in court.

Most insurance companies in this country are slow in adopting ADR methods. Perhaps this is not surprising: large sums of money may be at stake, and ADR is suspected of being a passing fad. However, it has become firmly established in England, Australia and the US. Among the founders of the Centre for Dispute Resolution in London are major insurance companies. Since the centre was established in 1990, its success rate in full mediation is 95 percent, and it has dealt with disputes worth £850-million.

At a conference in Australia last year, an insurance expert described a dispute following an explosion in a club. The dispute involved a plaintiff with a claim of \$1,5-million and seven defendants. Had the case gone to court the legal costs would have been another \$1,5-million. By skilful use of ADR however the case was settled, out of court, within three days.

With success stories like this which underline the time and money they can save, more and more local insurers are bound to adopt ADR to resolve a wide range of disputes.

●Linda Macun is executive director of the Alternative Dispute Resolution Association of South Africa.

Foreign banks seek political consensus on debt repayment

Star 18/6/93

58

CAPE TOWN — Foreign banks are for the first time demanding the endorsement by South Africa's major political players of a renegotiated debt repayment programme, says Finance Minister Derek Keys.

"This is in contrast to their attitude in previous renegotiations, where they wanted to have it handled as an entirely technical matter without any reference to any politicians whatsoever," he said at a news conference yesterday.

Reserve Bank Governor Chris Stals said last month officials had worked out a broad outline for a final repayment programme with creditor banks to clear $5 billion of debt left over from the 1985 anti-apartheid credit freeze.

Three previous rescheduling arrangements will have cut the original $13,7 billion of debt affected by the freeze to $5 billion when the current scheme expires at the end of the year.

Keys said the deal now depended on the approval of a wide spectrum of political players in South Africa.

Derek Keys . . . predictable and sensible change of approach on the part of the bankers

"In view of the stage this country finds itself in, where it will be changing governments within the next 12 months, it is a predictable and sensible change of approach on the part of the bankers.

"In the middle of all this transition, I have ~~to find a~~ sufficient endorsement that will satisfy the bankers," he said.

"Everything affects everything else," he said in reference to the negotiations between the Government and Nelson Mandela's African National Congress, its chief rival for power.

ANC foreign affairs chief Thabo Mbeki said after talks in Geneva earlier this month that the ANC and the Government were in agreement on the sort of package that would be needed.

Keys said at the news conference yesterday he was eager to normalise South Africa's relations with major foreign lenders, the International Monetary Fund and the World Bank.

"I am not particularly keen to have to use the standby facilities of the IMF . . . but to have free accessibility to such standby facilities does have an effect on the amount of credit that other banks and commerical suppliers are prepared to advance to us.

"We would certainly like to be able to build up those normal sources of capital," he said. — Sapa-Reuter.

Star 18/6/93

French banks to provide bulk of Alusaf's export credit finance

French banks would provide the bulk of export credit finance for the giant aluminium project Alusaf, finance director Paul Snyman said yesterday.

Alusaf has appointed three French foreign lead banks from which to source the major portion of export credit finance of R2 billion for imported technology and equipment.

Other lead banks in Germany, Britain and Japan were also involved in providing export credits to cover potential suppliers to the R7,2 billion Alusaf smelter expansion project, he said.

A consortium of the four major South African banks had agreed to provide guarantees for the R2 billion in foreign loans as well as approximately R700 million in ,local loan finance.

Although this would be one of the largest private sector facilities offered in South Africa, the facility had not yet been finalised, he said.

He pointed out that the foreign and local loan finance amounting to R2,7 billion was complementary to the R3,8 billion equity and shareholder loan backing which had been secured from Gencor, the Industrial Development Corporation (IDC), Eskom and various institutional investors.

Snyman said there would be scope in the future for creative financing arrangements as Alusaf's qualification for Section 37 (E) would ensure the project received the cash equivalent of tax deductions for capital expenditure as it took place. — Sapa.

NICO MARAIS

FM 18/6/93.

IN MY OPINION

Low-cost housing: a market solution

123 58

Nico Marais is employed in the gold and foreign exchange department of the Reserve Bank. The opinions expressed in this article are his own and don't necessarily represent those of the Bank

There is no shortage of proposals to solve SA's low-cost housing crisis. But securitisation, the main mechanism for funding housing in the US, has received scant attention, despite its potential.

Banks are now reluctant to provide mortgage bonds to the lower end of the market (R50 000 or less) and for certain areas, considering the risks involved and the high costs of administering small housing loans. Yet there are a few ways to recoup administrative costs. Banks would not be exposed if they shifted their risk by selling a pool of such loans to a national housing trust — a special purpose vehicle.

To finance the purchase of the low-cost mortgage bonds from banks or development agencies, the trust (which should represent the broad community) would issue mortgage-backed securities. Instead of providing more than R2,4bn for housing, the State would use this money to guarantee the securities.

With the default rate on the mortgages conservatively estimated at 10%, the State would gain considerable leverage on its investment and promote the flow of more than R20bn in private-sector and development funds to housing each year.

The asset-backed security, with a market-related interest rate and a State guarantee, would be a good investment. With this quality paper available in the market, there would be no need to implement prescribed investments for insurance companies — though their current limits on property related or "government stock" investments would have to be increased substantially.

Even though, historically, returns on interest-bearing investments have underperformed inflation, a security backed by mortgages could yield an attractive return given the low costs of intermediation. It could also be accepted as eligible paper at the discount window of the central bank, making it a worthwhile investment for banks.

The World Bank and donor countries, which are familiar with the concept of securitisation, would be able to receive high, secured returns on their development funds, which would attract larger amounts to SA.

An interesting option in this process would be to fix the mortgage rate payable and then also the rate offered on asset-backed securities. SA and the UK are two of the few countries where the mortgage rate is affected by movements in short-term interest rates. A stable mortgage rate would help the community and satisfy insurers' need for fixed income investments, considering their long-term liabilities. But low inflation would be essential.

In the US, a number of organisations operate along similar lines: the American Government National Mortgage Association (Ginnie Mae), the Federal Home Loans Mortgage Corp (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae). Borrower defaults are borne by the State, not the investor. Fannie Mae has been instrumental in making housing financing easier in the US since World War 2.

The housing trust, banks and the community must co-operate closely though.

The Barclays Briefing of January 1992 states: "Every so often an issue emerges from the world of finance that seems of technical interest only but which has vital implications for the economy. With the development of securitisation, we are witnessing the early stage of something that will eventually prove enormously influential throughout the industrialised world."

Using securitisation to finance low-cost housing should be considered in earnest as a feasible, market-orientated way to solve the housing crisis quickly.

AFRICAN BANKING (58)

FM 18/6/93 .

As Africa's banking sector undergoes unprecedented change, a number of critical issues need to be reappraised. These include regulation, the role of the banking system in privatisation programmes, the impact of high inflation and low liquidity on banking in Africa, managing problem loans, securitisation and commercial paper.

These and other topics will be examined at a conference, organised by Aic Conferences (a *Euromoney* company), sponsored by Meridien Biao of Swaziland and presented in association with the *FM*. It will be held on August 18-19 at the Sandton Holiday Inn.

To register:

☐ Telephone 011 803-9680;
☐ Write to Aic Conferences, Box 4176, Rivonia 2128, SA; or
☐ Fax 011 803-9684.

The fee is R1 890 + Vat. For three or more delegates from the same organisation the fee is reduced by 10%.

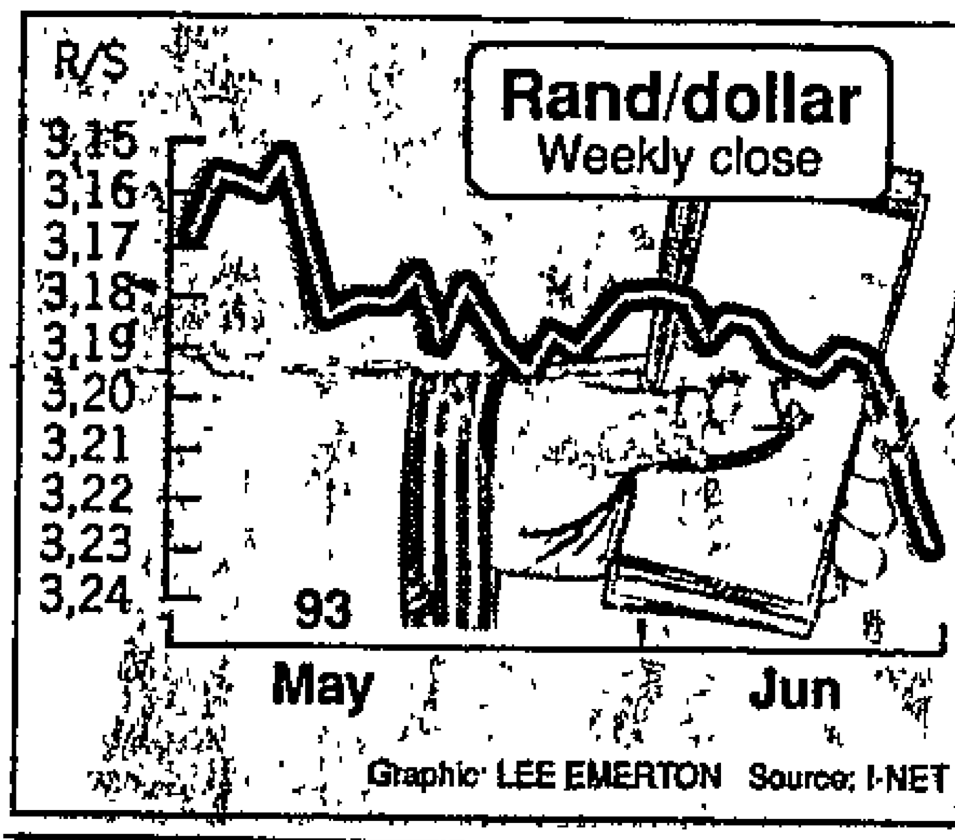
Reserve Bank bolsters the rand

TIM MARSLAND

A LARGE currency transaction by a major corporate saw the Reserve Bank step in yesterday to support the rand, which traded at a new low of R3,2350 against the dollar.

The rand ended at R3,2288 to the dollar from a previous R3,2163.

Dealers said the corporate was restructuring its currency book and had been active in the options and spot market. The size of the transactions was said to have been about $100m.



A dealer said the Bank's role had been limited to taking the rough edges off the day's trade. He said the rand's current fall against the dollar was due to the strength of the dollar rather than rand weakness. Against the basket of currencies, the rand continued to perform well.

The Bank had been absent from the market for some time, which could have prompted some players to see its activity yesterday as aggressive.

Another dealer said the rand firmed late in the day against the US unit after the release of poor US trade data. The dollar's outlook remained good and he expected a rate of R3,40 to the dollar by the year-end.

● Comment: Page 8

JSE ready to settle firm's client claims

B/Day 18/6/93.

MERVYN HARRIS

THE JSE has stepped in to protect investors by offering to settle in full from its own funds limited client claims amounting to R8,17m against former stockbroker Andrew Forbes & Co.

It will pay R1,59m from its own funds in settlement of all claims against H G Crosby & Co and a further R12 795 in claims against Ben Janse van Rensburg & Co.

The total payment of R9,7m is in addition to the R2,4m arising from general claims which have already been paid to clients of the three firms.

(58)

The move should boost investor confidence in the JSE. There had been delays in settling limited claims pending the outcome of the JSE's revised claim on behalf of clients against the insurers under the stockbrokers' indemnity insurance policy.

JSE president Roy Andersen said: "We sympathise with investors who have been waiting for the insurance claims to be settled. In view of the fact that settlement will be further protracted, the JSE has decided to make the payments to protect investors against the ravages of inflation."

The Forbes insurance claim was resubmitted to the insurers on March 29 after intensive discussion between the insurers, the JSE and their respective advisers. The discussion, which identified a number of difficulties between the parties, was continuing and might be further protracted, the JSE said in an announcement today.

The Crosby insurance claim had been in abeyance pending a final outcome of the Forbes insurance claim and the payment would alleviate difficulties experienced by those clients of Crosby whose claims had been classified as limited.

The JSE did not intend to extend the offers of payments to clients whose shares were, and remained, pledged to financial institutions. In such cases, clients should exercise their common law remedies. Settlement of claims should not be regarded as a precedent.

However, the JSE was revising the maximum limit of limited claims from R1m to R5m a broking firm for transactions in all securities other than gilts. The increase for gilts would be the same.

NBS ensures future growth

(58) AT CT 19/6/93

By AUDREY D'ANGELO
Business Editor

NBS Holdings — which has increased its provision for mortgage losses to R81,8m — expects to derive more than 35% of its income this year from "direct and indirect insurance activities", chairman Brian McCarthy says in the annual report.

And CE John Gafney explains that a strategic decision was taken to diversify sources of income, relying less on mortgage lending.

"The economy and unemployment have taken their toll on many of our clients. Repossessions have risen sharply notwithstanding the fact that we repossess only as a last resort.

"Losses realised on the sale of repossessed property totalled R32,1m in the past year."

A breakdown of group earnings shows that in the year to March R54,6m came from banking — including building society activities — compared with R38,8m the previous year.

Insurance provided R17,5m compared with R13,7m the year before and investments R9,3m compared with R8,4m.

But income from property development slipped to R1,5m from R1,8m. Income from property rentals was R8,1m compared with R10,3m.

Gafney says it was also decided last year to reduce the cost base of the branch network. This involved retrenching 400 staff.

Discussing NBS Bank, Gafney says its capital co-efficient is 7,9%. "The required level of 8% is effective from March 31, 1995 and although NBS Bank does not meet this requirement it is important to note that the group has sufficient capital to inject into the bank so that the requirement will be met.

"It has proved more beneficial to hold the excess capital in other companies and the bank will be recapitalised only when necessary."

Corporate advances have grown substantially and now total R1,5bn. "These advances now comprise 33% of total advances which is in line with our strategy of diversifying the sources of income."

Admitting that there is some risk in this, Gafney says that although extreme care is taken when granting loans: "The number of liquidations has continued to escalate.

"A general provision is maintained which is in excess of industry practice."

McCarthy says that since the year end the group bought a 50% stake in Aegis Insurance Co for R90m, paid for by the issue of 6 140 000 shares at a price of R14,75 a share.

It has also increased its stake in FBSA Holdings, holding company of the French Bank of SA, by 10% to 49%. Banque Indosuez holds the balance of the shares.

NBS also owns 65% of Circle Risk Management. The remaining 35% is owned by the directors and management of Circle.

Registering deeds a complex procedure

YOU can blame delays on staff shortages, poor co-ordination, ill-compiled documentation and the computer, writes our finance staff..

It should take only six working days

Star 19/6/93 . (58)

THE role of the deeds office in property transactions received considerable media attention recently as the Johannesburg Deeds Office was taking up to five weeks to register transactions — considerably longer than the period stipulated by law.

The process of registering a property transaction is somewhat complex.

Records of transactions are handed to the deeds office (lodged) for registration once the conveyancer has prepared all the necessary documents in accordance with the provisions of the Deeds Registration Act.

The regulations require documents lodged in the deeds office to be registered within five or six working days after they have been lodged.

Acting for others

To understand why delays occur in the deeds office it is helpful to know what happens to documents lodged for registration.

Once the conveyancer has prepared the documents and arranged with any other conveyancers (where there is more than one transaction to be registered simultaneously) acting for other parties — for example a financial institution registering a bond over the property to be transferred — to lodge their documents on the same day, he or she takes them to the deeds office.

At the lodgment counter all the documents to be registered simultaneously are batched together and counted.

About a thousand documents are lodged in this way daily in the Johannesburg Deeds Office.

Should the batch be incomplete because documents relating to one of the transactions were not lodged, the batch will be rejected the following day and returned to the conveyancer.

Lodgment will have to be arranged again for the next day, assuming the missing documentation can be assembled. This can delay completion of the transactions by two or three days.

If the batch is complete, the documents are taken to the deeds office's data section to add to them computer printouts relating to the property and people involved in the transaction.

If the computers are off line, the batch will remain in the data section until printouts can be obtained — a further delay.

To speed up the process, the Registrar of Deeds sometimes permits documents to be examined without accompanying computer printouts. However, the printouts must be obtained before registration.

On the third working day after lodgment the batch should be allocated to a junior examiner who looks for errors and ensures compliance with the Act.

Each examiner is allocated a predetermined number of documents. Should there be more documents to be examined than can be allocated, the unallocated documents are held over for allocation on the following day, creating a backlog.

By the fifth working day after lodgment, the batch should be allocated to a senior examiner, who must determine — on the basis of the junior examiner's comments or queries on errors in documentation or failure to comply with the Act, requiring it to be amended — whether the batch should be rejected.

On the seventh day, if the examiner is satisfied that queries have been dealt with and errors corrected, the documents should be handed to the conveyancer who lodged them for registration.

Rejected documents are returned to the conveyancer for relodgment after amendment.

The conveyancers involved in the transactions should on the eighth day execute the documents before the Registrar of Deeds by signing them, and then hand them to the registrar for his signature.

Documents microfilmed

Should the conveyancer not sign a document, the batch is held over for registration on the next day.

After registration, the documents are numbered and the information on the property and parties concerned is entered into a computer. The documents are microfilmed and then delivered to the conveyancer who lodged them.

The Johannesburg and Pretoria deeds offices are at present taking eight to 10 working days to register transactions.

Star 19/6/93.

Sanlam offers sixth unit trust

(58)

SANLAM is introducing a new unit trust and also converting one of its existing funds to pursue investment opportunities more aggressively. Sanlam Unit Trusts is adjusting its structure in line with clients' needs, says Sanlam chairman Pierre Steyn.

The new fund, Sanlam Income Trust, will concentrate on interest-bearing investments, including long-term stocks. It aims to provide a higher income for investors with a need for a higher regular income.

Investors will not be directly exposed to the stock exchange, although the market value will be affected by interest rates.

Sanlam regards the new trust as an extension of its service to clients wishing to divide their investments between shares and interest-bearing investments. Income will be paid quarterly, instead of half-yearly.

Sanlam Dividend Trust is being converted and will have a new name: Sanlam Prima Growth Trust. It will remain a general trust, but its greater flexibility as a smaller fund will be used to manage it more aggressively.

This means that fund managers will act fast when special investment opportunities are identified says Steyn.

Sanlam Index Trust will also be changing direction. It will now be managed more along the lines of a true index trust, meaning that investments will be following the index weighting of the Johannesburg Stock Exchange more closely.

After restructuring, Sanlam will have six unit trusts, compared with the present five. The flagship, Sanlam Trust, and the two specialised funds, Sanlam Industrial Trust and Sanlam Mining Trust, will remain unchanged.

The structural changes are being made after a thorough investigation of every fund's investment policy.

S/Times [Buss] 20/6/93

Cheque in the post overtaken

FINANCIAL EDI (FEDI) is an integral part of the trading cycle and refers to the exchange of data between trading partners and their banks. It relates to the electronic funds transfer processes effecting payment for the goods or services.

Absa, Standard, First National and Nedbank adhere to the UN EDIFACT standards for the exchange of FEDI data among themselves and their clients.

Development of FEDI is being carried out by the Banking EDI Group (BEDIG) which was formed under the auspices of the Clearing Bankers Association in October 1990.

The objectives of BEDIG are to steer the SWIFT EDI pilot through to implementation — Standard and First National are taking part in this worldwide pilot scheme. The longer-term aim is to co-ordinate other inter-bank FEDI activities.

The SWIFT EDI pilot scheme marks a milestone for the use of UN EDIFACT messaging for financial transactions in SA. The pilot scheme allows the 70 banks taking part nationwide to exchange the seven EDIFACT messages among themselves and clients.

BEDIG was also responsible for approving the UN EDIFACT financial message standards for use in SA in May last year. The implementation of these standards is viewed as vital for trade, particularly with Europe.

Various sub-committees or working groups have been formed in BEDIG with the responsibility for bank interchange agreements, clearing and settlement, standards, interbank FEDI strategy and risk (in conjunction with the inter-bank Electronic Risk Assessment Group, ERAG).

The benefits of EDI to the buyer are integrated purchasing and payment systems, improved audit control, enhanced supplier and bank relationships, sophisticated security, streamlined cash management capabilities and less administrative error.

To the supplier the benefits are early advice of payments, improved cash management, reduced accounts receiveable administration, more accurate accounting systems, enhanced ability to automatically match orders, invoices and payments and administrative error reductions.

The disadvantage is that payments are generally made more frequently and timeously, which means that the buyers' money goes out faster.

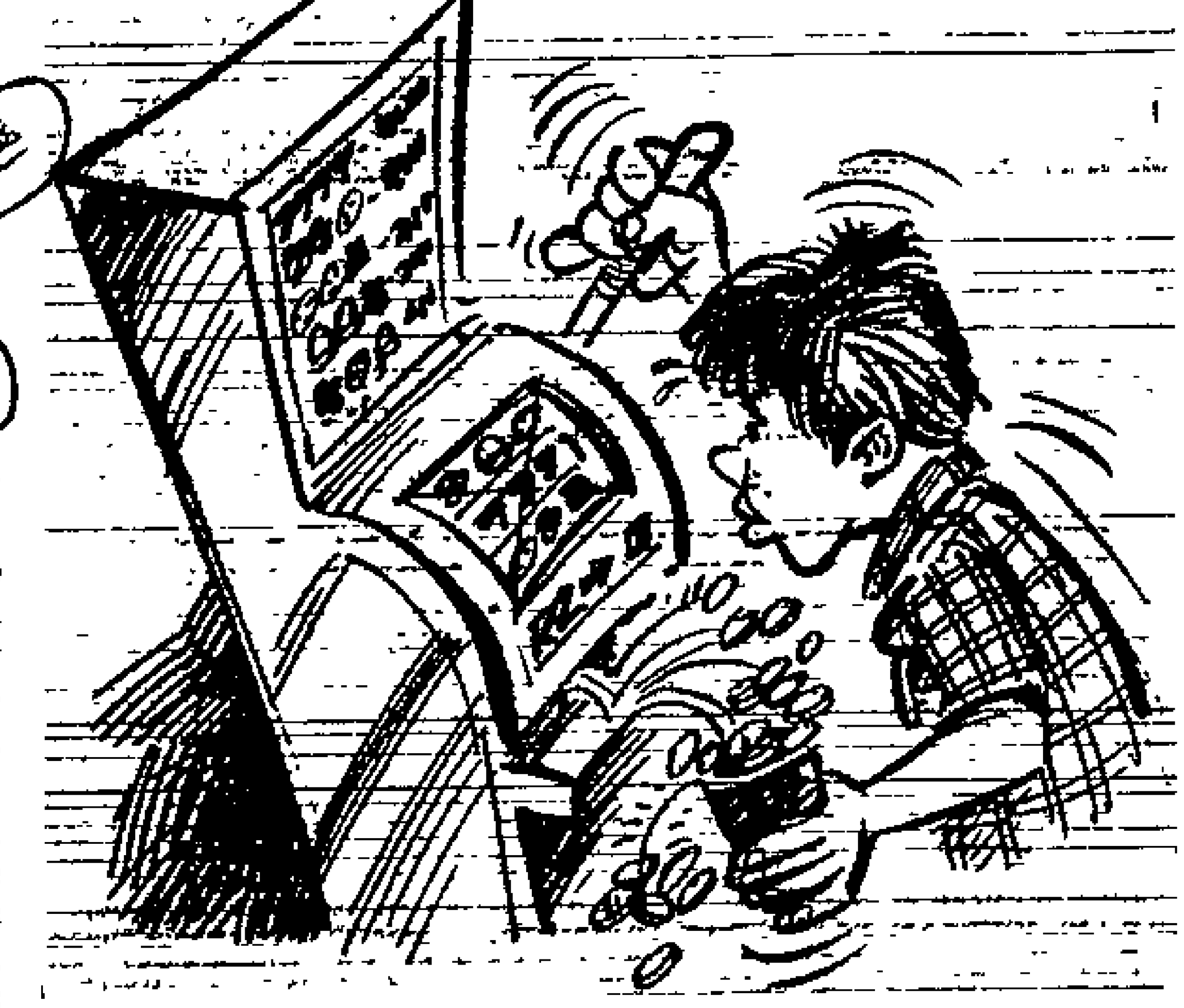
There is often a reluctance on the part of directors to have any sort of system which means they have to pay on time — the "cheque in the post" can be useful.

MONEY

STimes (Buss) 20/6/93

A profitable home for spare R20 000

58



By CHERILYN IRETON

AN investor asked a senior personal asset manager how best to invest R20 000. The reply was simple and dismissive: "You may as well go to Sun City and gamble."

The attitude — understandable from someone used to dealing with individual portfolios worth millions of rands — is typical of a handful of financial institutions and stockbroking firms.

Their profit potential from investors with less than R250 000 is limited, as is the ability to balance the risk. So these funds are often automatically ploughed into traditional instruments, such as unit trusts or fixed deposits.

Unit trusts are designed for small investors. But they generally take time to appreciate and rule out active participation by the investor.

Discouraged by the attitude to small investors, I approached a few investment advisers to see if they could come up with an imaginitive way to place money. The benchmark was a young, single professional, not interested in owning property and not reliant on an income-generating investment.

The most interesting response came from Jill Bogie, general manager, finance, individual business development, at Liberty Life.

"Assuming the person has already provided for disability, health care, future life cover and will not require the funds in the foreseeable future, he could consider an investment in either a Persian carpet, an antique or a work of art.

"Capital bonds, unit trusts and fixed-interest investments are the obvious homes for any lump sums, but a young professional may want to get some enjoyment out of his investment.

"By buying a Persian carpet, an antique or work of art, the investor can enhance the appearance of his home and at the same time have an investment that may appreciate significantly in value.

"The beauty of Persian carpets, for instance, is that they do not necessarily depreciate in value if they are worn," says Miss Bogie.

She warns that it takes a connoisseur to know whether a fair price is being charged. Also, it is not always easy to sell at a fair price.

"I wouldn't recommend such an investment unless the person had provided for his future through the traditional avenues."

The carpet and antique route holds dangers, warns Brian Bechet, general manager of Board of Executors.

"The average person does not know how to judge the quality of what he is buying. The general route is to buy the goods retail and sell them wholesale. But the price gap between the two is enormous."

AFC Investments portfolio manager Rudolf Schmidt says R20 000 does not offer many options unless the investor is prepared to take a risk.

"It's difficult to get a spread with R20 000. The market for small investors is restricted, particularly if you don't need income generators such as fixed deposits."

The question, says Mr Schmidt, is not so much as where to put your money but who will look after it.

"Unless you are investment-wise and have constant access to market information you could get burned if there is any swing in sentiment."

Mr Schmidt does not rule out unit trusts — "After all, they are nothing other than a managed asset."

But he advises the investor to be careful in timing the investment and to stagger buying units if there is any chance that the market will turn against him.

Mr Schmidt says some brokers will put together small share portfolios, but again the issue of who will manage the portfolio is critical.

It is essential that investors retain flexibility, says Mr Bechet.

He warns against schemes that will lock up funds for between five to 10 years.

Mr Bechet says that to make money grow faster than inflation it is essential to own shares. Unit trusts are his recommendation.

"We suggest the funds be fed into unit trusts over 12 months to take advantage of averaging. If you put the whole sum into a unit trust and the market drops, you could be seriously hurt."

Mr Bechet agrees that a downside is that unit trusts rule out individual participation. An alternative might be a small share portfolio, but it would not give sufficient spread to balance the risk.

"One hundred De Beers shares cost R9 000, which does not leave much to diversify the portfolio and risk."

He warns against putting savings in gilt options, which are advertised to achieve remarkable returns.

"There is a huge correlation between risk and reward and in this case the risk is high. You need market information to enable you to trade your way in and out if there is a change in direction."

Casino could make M

STi

By JEREM

INVESTORS in Club Mykonos who stood to lose R253-million when Masterbond collapsed could get most of their money back — and make a profit.

A rescue scheme for Club Mykonos was given the go-ahead this week in the Supreme Court, Cape Town.

But the main hope for Masterbond investors, Mykonos property owners and many creditors lies in the prospect of a casino licence for the club.

Mykonos Homeowners Association executive director Ridge Riley says: "The Howard Commission's recommendations on legalisec two casinos for the Mykonos is the only Western Cape that c requirements."

Mr Riley designe age and worked f with the curators.

A casino licence value of shares th received under the

Interest rates turn anticipated

BDay 21/6/93

TIM MARSLAND

THE downward trend in the interest rate cycle could be near its end, according to SPL Treasury Services' June interest rate forecast.

Analysing the results of forecasts from a panel of economists, SPL says there has been a steepening of the yield curve for maturing debt up to one year.

(58)

This is caused by the continuous decline in short-term rates in contrast to those on the longer side of the market, which have stabilised.

"This is usually an indication of the end of the downward trend in the interest rate cycle," it says.

SPL notes that historically the sharp decline in interest rates seen since the end of 1991 first fizzled out at the long end of the market. It expects three-month interest rates to be the last to flatten out.

The economists continue to predict a one percentage point cut in prime rate within the next few months, saying there is a 68% chance of such a cut by November and a 90% chance by next May.

At best, prime rate could drop to 14,25% while the worst-case scenario is for the rate to be unchanged from the present 16,25%.

The yield curves continue to show uncertainty over the next year, with the economists giving a wider band for best and-worst case predictions.

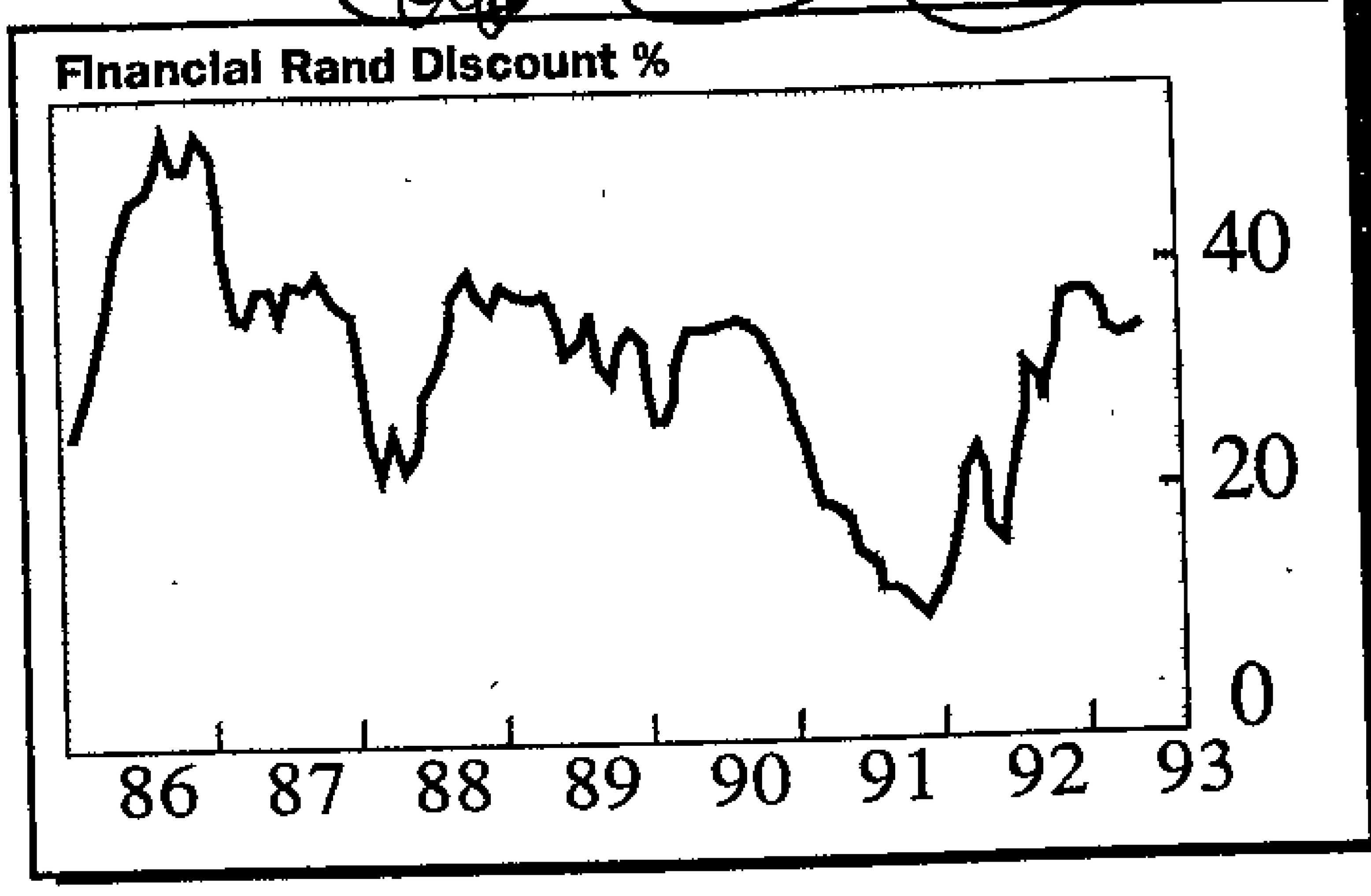
☐ SPL feeds the economists' forecasts into its interest rate forecasting system, which averages out the predictions.

Future of the financial rand hangs in balance

Star 21/6/93

(58)

By Derek Tommey



Planning attention is beginning to focus on the future of the financial rand.

This follows from the likelihood that South Africa will soon be governed by a transitional executive council and the probability that there will be a general election within the next 12 months — both of which will be good for SA's image overseas.

It also follows from the prospect of a firmer gold price.

These factors could greatly enhance South Africa's position abroad — and thereby eliminate the need for the financial rand.

The financial rand in its current form has been in existence since 1985. South Africa was then in turmoil and the Government wanted to discourage foreigners from taking their money out of the country.

Forcing them to use the financial rand, which stood at a huge discount to the commercial rand, significantly slowed the outflow.

Reasons

Anyone now taking money out of the country in financial rand form has to pay R4,64 for a US dollar.

If the investor could take the money out through the commercial rand, he would have to pay only R3,23 for a dollar, giving him 43 percent more dollars for his money.

Economists give several reasons for ending the reign of the financial rand.

One is that the mere existence of a dual currency is a major deterrent to foreign investors because it signals to the world that South Africa has economic woes and balance of payments problems.

A second reason is that the financial rand exchange rate is not a true reflection of the state of South Africa. The financial rand market is a thin one and the price of the currency can be easily manipulated.

Azir Jammine, director of consulting group Econometrix, says the commercial rand is a much better guide to the worth of South Africa's currency, as ten times more capital transactions are made through it than through the financial rand.

Economists say that any improvement in the investment climate could lead to a speedy ending to the financial rand.

An inflow of foreign capital could quickly lead to the financial rand discount dropping.

Once it dropped below, say, 10 percent, the Reserve Bank could abolish the currency overnight.

With this in mind, planners are asking when it could happen.

"It could be within the next 18 months to 24 months," say Jos Gerson and Heather Kenyon, economists with stockbrokers Davis Borkum and Hare.

But Jammine is not quite so optimistic. He believes it could still be 24 to 30 months away.

However, it could be much sooner if the gold price were suddenly to spurt to, say, $600!

If the Government has learnt anything from the surge in the gold price in 1979 and 1980, it is that exchange controls should be eased immediately, he says.

Planners are also investigating the consequences that could flow from the ending of the financial rand.

Some say that the financial rand rate could become the new commercial rand rate — that is, the rand could drop to more than 4 to the US dollar.

But Jammine does not agree because the commercial rand is the much stronger currency.

Profits

The most the commercial rand rate could drop is about 10 percent.

Foreigners investing in the JSE through the financial rand could make huge profits if the commercial rand held its value.

Any reduction in the 30 percent financial rand discount would similarly increase the value of their investments.

It would be possible for them to show capital gains of 45 percent without any improvement in JSE share prices.

But Jammine points out that South Africa wants not only speculative investment; it also needs people prepared to invest in new factories and industries.

COMPANIES

NBS expects 'meaningful growth'

SHARON WOOD

NBS Holdings retrenched 400 staff members during its 1993 financial year in a restructuring process which cost the group R18m in retrenchment costs and fees paid to the external consultants that engineered the process. B/Day 22/6/93

In the group's annual report, CE John Gafney said a large number of staff took up the voluntary retrenchment package and the number of forced retrenchments was kept to an absolute minimum.

The cost of the restructuring process had been written off in full in the 1993 financial year.

Chairman Brian McCarthy expected the restructuring undertaken during the financial year, as well as the new investments, to result in "meaningful real growth" in earnings this financial year.

The group restructured and streamlined its largest division, the Bank Division, and McCarthy said this had had a major impact on its cost base, the benefits of which would be felt for some time to come.

Gafney said for the first time NBS had to undergo a major retrenchment exercise following an in-depth study of the group's business processes and a refocus on the most profitable areas of business.

During the year under review, the group continued to increase its unfunded income to counter cost inflation and its dependence on the interest margin. Unfunded income now contributed about 21% to NBS Bank's total income, McCarthy said.

The proportion of insurance business in the group's activity grew further with the recent acquisition of a 50% holding in Aegis Insurance Company. McCarthy anticipated that direct and indirect insurance activities would contribute a "highly satisfactory" 35% of the group's income during the current financial year.

Insurance comprised of 19,2% of the group's earnings during 1993, compared with 18,8% the previous year. Banking's contribution increased to 59,9% from 53%.

NBS Bank's capital adequacy ratio remained below the required 8% level effective from March 31 1995. (58)

But Gafney stressed that the group had sufficient capital to inject into the bank to meet the requirement. He said: "It has proved more beneficial to hold excess capital in other companies and the bank will only be recapitalised when necessary."

Life offices oppose formal exchange

TIM MARSLAND

LIFE offices were against government's plan for the compulsory setting up of a formal bond exchange, industry spokesmen said yesterday. BDay 22/6/93

The Financial Services Board (FSB) said the formal market would go ahead under the auspices of the Bond Market Association (BMA), despite attempts by the life offices to derail the process. (58)

The board set out a timetable for the implementation of the market, which included the setting up of a central depository and the introduction of manual reporting of all trades from September 2. Full electronic clearing and settlement would be implemented from April 1994. A guarantee fund to safeguard investor interests would be introduced no later than September 2.

Criticism of the present capital market has been that it carries unacceptable risk because of its informal nature. Total daily turnover is estimated to be R10bn a day.

Life offices, which are big holders of the bonds, have told the FSB they will not be forced into trading on a formalised market, and put forward a proposal that trading on a formal market should be by choice.

The FSB said in reaction it would allow informal trading as long as certain capital adequacy requirements were met. However, these have not yet been set and are expected to take a number of years before being implemented.

Old Mutual GM, investments, Isak Mostert said yesterday life offices were still not satisfied with the FSB's concession.

It meant life offices would be forced to trade on the formal market until the capital adequacy requirements were implemented. This would take a years, he said. In the interim, life offices would have no choice but to make use of the formal market.

"We demand a proper response from Finance Minister Derek Keys on what is going on," he said.

Life industry set for new innovations

BiDay 22/6/93

LINDA ENSOR

CAPE TOWN — The four-fund approach to taxation of life offices and the scrapping of the Sixth Schedule to the Income Tax Act has been provided for in the Income Tax Bill, tabled in Parliament yesterday.

The demise of the schedule opens the way for the life industry to offer a host of innovative products.

The proposed repeal of the Sixth Schedule, effective from March 1 this year, was welcomed by Life Offices' Association (LOA) executive director Jurie Wessels.

The clauses of the Sixth Schedule demarcating long-term savings business from short-term deposit-taking business have been incorporated into a proposed amendment to the Insurance Act. In terms of this, life assurers would be restricted to marketing policies with a minimum term of five years. If policies were surrendered within the five-year period, life assurers would be prohibited from paying out more than the premiums paid plus a compound return of 5% per annum.

To prevent large single payments being made on policies for short periods, premium growth was limited to a compound 20% per annum per policy. Where growth exceeded this, the policy would be subject to a new five-year restriction. (58)

Wessels said the demarcating regulation was more restrictive than the LOA would like in that only one surrender and one loan could be made on policies with a five-year term. The LOA believed people should be given more access to their funds, but had been assured by the Financial Services Board and Deputy Finance Minister Theo Alant that it could participate in formulat-

☐ To Page 2

Life industry

BiDay 21/6/93

☐ From Page 1

ing a regulation to cover exceptions. (58)

In terms of the Bill the Finance Minister may by means of regulation amend the relevant provision to allow for multiple surrenders and loans. As the demarcating legislation took effect only from January 1 1994, the LOA had six months to co-operate in drafting the regulations, Wessels said.

In terms of the Bill existing non-standard policies under the Sixth Schedule would be freed of its provisions, so that the benefit of such policies would not be taxed in the hands of the policyholder, as was previously the case.

The four-fund approach to the taxation of life offices would take effect for years of assessment commencing from July 1 this year. Life assurers would have three years to separate their assets into the different classes as specified in the four-fund approach. If life offices did not do so immediately, income and expenditure would be apportioned on a fixed formula basis.

Nedcor negotiating move into Africa

B Day 22/6/93

GRETA STEYN

NEDCOR was negotiating to buy a stake in Merchant Bank of Central Africa as part of a strategy to move into Africa, spokesman Derek Muller confirmed yesterday.

News of an imminent deal was leaked to the Zimbabwean Press after a visit to the country by a Nedcor contingent.

58

Muller said the conclusion of any deal was still some way off and any tie-up would be on a minority basis. He would not disclose the amounts involved and whether a deal would be finalised through the financial rand or by raising offshore finance.

It is understood that Nedcor's move into Africa will be through a tie-up with a Dresdner Bank-led consortium of European banks. The consortium, known as Société Financière d'Outre Mer (SFOM), already has shares in banks all over Africa. SFOM is expected to help arrange a minority shareholding for Nedcor.

The first hint of the tie-up came in April with the announcement of a Nedcor stake in the Commercial Bank of Namibia, in which SFOM is the majority shareholder.

Analysts said Nedcor might be able to use the finrand to finance the acquisition in terms of a special dispensation the Reserve Bank was considering.

Investment performances of fund managers under scrutiny

Star 22/6/93

By John Spira

Life assurers Metropolitan, Liberty, Sanlam, Commercial Union and Sage — in that order — emerge with distinction from the most recent First Bowring Investment Performance Survey.

Of the investment houses, Syfrets, RMB and SMB come out on top.

The new BOE and Southern (SHOP) funds have recorded impressive short term results.

The survey, which covers the 10 years to March 1993, illustrates the investment returns of insurers and investment companies for pension funds where the investment managers have full discretion over the distribution of assets.

The table shown here reflects the internal rate of return on regular monthly cash flows (assumed to increase at 14 percent a year) being invested with each manager or fund.

First Bowring notes: "These calculated yields are not necessarily equal to the internal rates of return obtained by an individual pension fund because the latter will depend on the actual cash flow experienced during the period of investigation."

The figures nevertheless illustrate the level of investment expertise of the respective fund managers.

(58)

The statistics have direct relevance to pension fund trustees, pensioners and contributors to pension funds, since a small difference in the returns achieved can translate into significant sums of money over the long term.

The prime focal point is the "Average Position" column, since this demonstrates consistency of investment performance over a long period of time (in most cases 10 years).

Trends, too, are instructive. Thus, for example, Liberty reflects an improving trend, whereas those of Metropolitan and Sanlam (200) are showing signs of deteriorating.

On balance, the returns recorded by the investment houses have been superior to those achieved by the insurers. However, these are of short term duration, with longer performance periods needed before true comparisons can be made.

Of the market value of insurers' managed assets at the end of March, Sanlam (200) reflected the largest equity component (67,3 percent), while Standard General showed the smallest (5,2 percent).

Prospects encouraging for Investec

Star 23/6/93

By John Spira

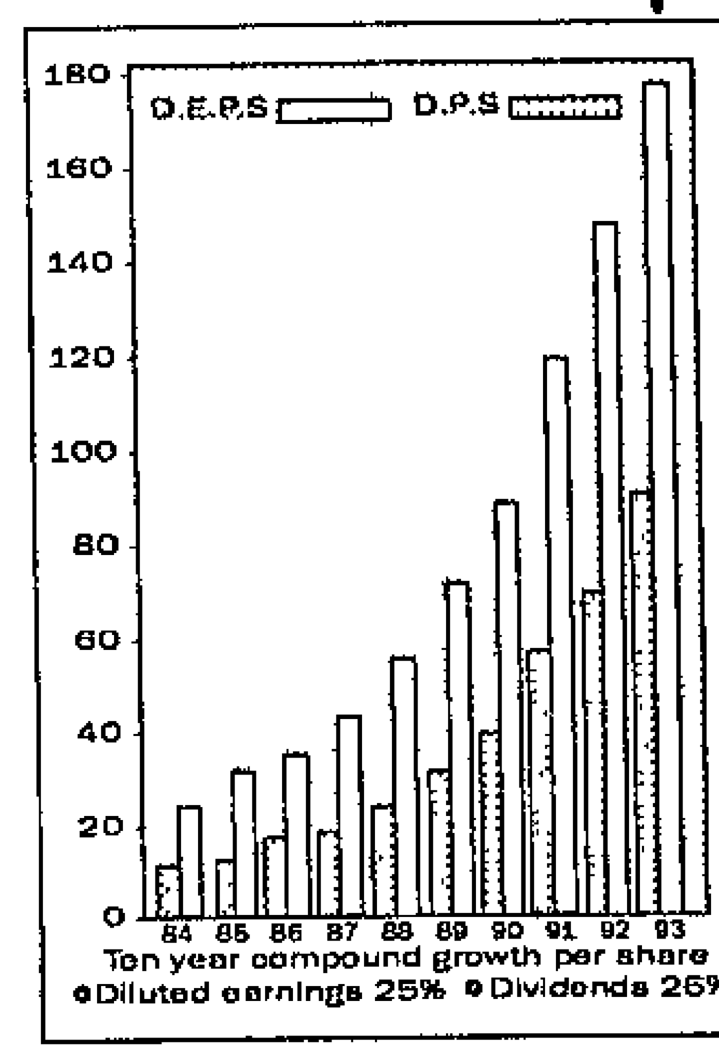
Investec, one of SA's fastest-growing banking groups, should enjoy continued growth in earnings and dividends in the 1994 financial year.

So predicts chief executive Bas Kardol in the group's 1993 annual report, which reveals that compound growth in earnings and dividends a share for the past ten years has been 25 percent and 27 percent respectively.

In the year to March 1993, the respective figures were 24 and 29 percent.

Investec, says Kardol, enters the 1994 financial period leaner and more focused than previously after the sale of its residential property management division, a substantial cost-cutting excercise in Rejchmans and the restructure of certain business units.

"The restructure has increased the level of decentralisation in Investec, which will enable the group's executives to focus more freely on the strategic development of our local and international operations."



The acquisition of London-based Allied Trust Bank (ATB) had opened the door to new opportunities and had significantly strengthened the group's international presence.

Investec's shares are being increasingly regarded as a rand hedge investment — an impression confirmed by Kardol's revelation that non-rand income as a ratio of the bank's attributable earnings had risen from 32 to 41 percent, mainly as a result of the inclusion of ATB's results for the last nine months of financial 1993.

Kardol says that the development of the group's international activities remains one of its key strategic objectives.

Southern Africa had been targeted as an important market.

Last year Investec's share price added 30 percent and it's gained another 28 percent so far this year.

At its ruling price, it yields 2,9 percent — below the banking sector's 3,3 percent average and more or less in line with the return currently offered by Nedcor.

Star 23/6/93

Affinity credit cards come back

***International trends** in affinity credit cards and local research of consumer needs has led Absa to re-launch this service for two specific markets – rugby supporters and alumni members of some universities.*

58

MAY 22 this year witnessed the re-launch of Absa's affinity credit cards to two distinctive markets, namely rugby supporters and alumni members of certain universities.

The concept of an affinity credit card is not new to Absa. Rugby and university credit cards were launched by Volkskas a number of years ago. However, the positioning of these products in the market as well as the low-key communication did not lend itself to a phenomenal success. Initial growth was high, but over the past two years reduced to a trickle.

If one considers international trends in affinity credit cards, the success has been phenomenal and ranges from pension funds through to various sport associations.

Absa believes that, after extensive investigation into the first affinity cards launched in South Africa, local and international trends, and the strength of consumer emotions, the concept of affinities as a method of providing a range of comprehensive products to the market is a good one.

While the Absa programme is in the initial phase of launch, there has been very good response.

The communication approach Absa Bank has adopted with these affinity cards is very different to other products offered by the banks

Absa provides the administration and marketing support, however the communication stems from the union/university.

MasterCard International plays an important role in that it lends credibility to the credit card. The consumer, therefore, buys a rugby union or university MasterCard.

By adopting this approach you avoid fighting against the loyalty a client has to any specific bank. Critical to the success of these affinity cards is to customise the features and benefits of the card to the target market.

While emotion/empathy is a strong motivation for the client to buy a card, the need is to ensure that the features and benefits of the product compare with other banks and there is added value apart from the contribution made to the development of rugby or education.

A Gold affinity card for universities has been introduced.

For further information please telephone (012) 317-0182.

The following are the features and benefits of the rugby and university affinity credit cards:

FEATURES	BENEFITS
1. Percentage payment to the rugby union/university based on transaction value and/or card fees.	1. Additional funds to be utilised for further education/ betterment of the affinity concerned.
2. Attractive credit and debit interest rates.	2. The rugby/university card can be used as a savings mechanism/debit card facility Rugby/university cardholders can fund purchases at an attractive interest rate.
3. Specially designed Credit Card highlighting rugby/university emblem with prominence.	3. Provides a vehicle to promote respective rugby unions and emphasises the cardholder's relationship with them.
4. Attractive Credit Limits (University graduates qualifying for a Gold Card obtain an automatic minimum facility of R10 000).	4. Convenience/ Flexibility.
5. Revolving Credit Facility.	5. Flexibility.
6. Budget facilities - Twice the Credit Limit payable over 6, 12, 18, 24, 36 and 48 months.	6. Purchase of smaller luxury items at affordable rates. Fixed period of repayments – choice of period – ensures discipline.
7. Comprehensive insurance facilities: *Free travel insurance *Credit Protector *Hospital Plan *Funeral Plans.	7. Safety, convenience, attractive rates.
8. Access to Electronic Banking/Home Banking facilities (ATM withdrawals up to R1000 per day).	8. Convenience.
9. Lost Card Protection	9. Security.
10.A second card for family member etc.	10. Lowest cost – better financial control.
11.Debit order facilities	11. Client convenience.
12.Rugby catalogue and University catalogue	12. Effective communication medium between rugby union/university and member; benefits in respect of discounts, special offers, exclusivity, articles etc.
13.MasterCard International Association	13. Acceptance at millions of outlets worldwide. Cash advance facilities worldwide. Immediate card replacement worldwide. Emergency cash advance facilities worldwide. 24 hour authorisation facility worldwide.

Absa affinity cards ... kicked off among rugby supporters and academics.


Marais . . . lived on the edge. "You've got to have leisure to be unhappy," was his credo.

I'm innocent, says legendary banker

Star 23/6/93 (58)

Profile

The Star's Business Editor JOHN SPIRA traces the career of banker and former politician Jan Marais, who had a brush with police this week in connection with the multimillion-rand Fundstrust collapse.

JAN Marais, arguably the man who was primarily responsible for changing the face of banking in South Africa, is in a fix.

The former member of Parliament and banker extraordinaire faces legal action for his alleged involvement in irregularities surrounding the multimillion Fundstrust collapse.

It isn't the first fix in which he has found himself — which is, perhaps, what one would expect from one who has always looked for the gap, lived on the edge and pursued the unconventional.

He has been quoted as having said there are still enough people in the world who love a fighter. This, along with hard work — "You've got to have leisure to be unhappy" — was the credo that helped him make his mark when, back in 1954, as a 35-year-old upstart, he formed Trust Bank.

The host of critics soon ate their words as, with the systematic application of his marketing genius and financial skills, Jan Marais grabbed the staid banking scene by its pin-striped lapels and shook it rigid.

His one-stop, one-door banking policy used extended banking hours, garish colour-scheme glitz and mini-skirted front office staff to pull in the customers.

"I want each customer to feel his arrival is the one event of the day we've all be waiting for," he said.

That they loved it translated into the bottom line. Trust Bank's first year profits totalled R28 412. Five years later they'd topped the R1 million mark and assets had soared to R89 million.

Marais had arrived. The competition — with no option, since they were losing customers to the renegade bank — sat up and took notice. They, too, extended their banking hours; they, too, aimed at making the business of banking a more pleasurable experience.

But they couldn't halt the headlong progress of the man from the Cape.

Growth continued apace — by 1977 the group's assets had hit the R2 billion mark — but it was just such untrammelled expansion that stopped Marais dead in his tracks.

His all-consuming desire to be the biggest and the best in the shortest possible time involved advancing suspect loans and investing heavily in real estate.

The bank's bad-debt experience began impacting heavily on the bottom line and the nose-diving property market (those were the days when real estate was characterised by the "geared today, gone tomorrow syndrome") saw Trust Bank entering turbulent financial waters.

But Marais, a survivor to his fingertips, demonstrated the fighting qualities for which he is so well known. Realising that he'd bitten off more than he could chew, he sold out to Sanlam and turned his back on the banking industry.

It was the best move of his life. Ever since, Trust Bank has been a thorn in the insurance giant's side.

Had an institution any smaller than Sanlam taken control of Trust Bank, Marais's baby would not have survived.

Never a man to sit back and contemplate what might have been — "Work is kind to its friends and harsh to its enemies" — he entered politics via the Nationalist Party and won the Pinetown seat.

That was in 1977. In 1981 he declined to stand for re-election, opting instead to market South Africa to the world.

He became executive chairman of Jan S Marais, Hannaford & Associates, a marketing, PR and political consultancy attached to the international Hannaford Company.

He lobbied for quicker progress towards reform in South Africa and actively supported a federal system of self-governing communities, actively promoting books like *South Africa — The Solution* by Leon Louw and Frances Kendall. In the early 1980s he headed up Fundstrust, the money and capital market institution which was provisionally liquidated in November 1991.

Marais claims he was not involved in the irregularities apparently surrounding Fundstrust. He's fighting to proclaim his innocence. But then Jan Marais hasn't ever fought shy of conflict. It's what keeps him going and ensures that he's regularly exposed to public scrutiny. □

heading

Bill aims at banking for the poor

Star 23/6/93

CAPE TOWN — The main objective of the Mutual Banks Bill was to create banking institutions which would attract the custom of members of the lower-income communities, Deputy Finance Minister Dr Theo Alant said in Parliament yesterday.

Introducing the second reading debate on the Bill, he said the corporate constitution of a mutual bank would be structured so as to facilitate its membership and greater participation by members in the exercise of control in a general meeting.

Jasper Walsh (DP Pinelands) said that nowhere was the lack of suitable credit facilities more obvious than in low-cost housing and small business development.

While welcoming the Bill, the DP cautioned that South Africa could not afford a failure in the banking sector as this would lead to a loss of credibility; and nothing would hasten the demise of these institutions more speedily than political action such as boycotts and bond instalments being withheld. — Sapa.

Trust to investigate community bank idea

Own Correspondent

CT 24/6/93

JOHANNESBURG. — The Community Banking Project said yesterday that it had set up a trust to conduct a detailed investigation into the feasibility of setting up a community bank.

The investigation will look at locations for branches, which products will be delivered by the bank, what languages will be used and how the bank will be funded. The chairman of the trust is Ellen Kuzwayo and the CE former Perm MD Bob Tucker.

Leading figures from formal and informal financial institutions and prominent members of community and civic associations have been invited to join the trust.

A detailed investigation into whether a community bank was needed had been conducted and this had been submitted to the Council of Southern African Banks (Cosab), the project said. Cosab then agreed to support a detailed study into the feasibility of establishing such a bank.

Absa group executive Archie Hurst, nominated by Cosab to head up this investigation, said the probe would probably be completed and presented to Cosab in mid-August. If this went well, the community bank could begin to be set up in September.

Community bank study set up

BDay 24/6/93

SHARON WOOD

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Civic Associations of Johannesburg general secretary Cas Coovadia, also involved in the project, said Cosab would not have an ownership stake in the bank.

Hurst said Cosab was prepared to support the initiative even though it could eventually compete with the formal banking sector.

BUSINESS

Bank battles to advance millions

WM and 25/6-1/7/93

58

A lack of shared vision is hampering development, says the Development Bank of South Africa. **REG RUMNEY** *looks at its annual report*

THE Development Bank of South Africa actually got out into the community only half of the R1-billion or so it had available in its financial year to end March 1993.

The bank disbursed R449-million in loans and grants. It approved total new commitments of R1 754-million, but these have yet to be disbursed.

The problems, according to the 1993 annual report, were the recession, political violence and the uncertain development environment. But chief executive Andre la Grange reckons that just as important is the problem facing development organisations worldwide: a lack of capacity.

In South Africa, there are specific additional problems. Local community support is important and, with divisive feelings now rife in society, agreement is hard to achieve, says La Grange. Also, and this is stressed in bank president Wiseman Nkuhlu's address, there must be a shared vision of the future of the economy. Development is being hampered because this is lacking.

As a contribution to that shared vision, the bank sketches out a three-point economic plan for South Africa in the report, one broad enough to receive widespread support.

The report says the basic conditions for economic growth are: market efficiency, education and integration. Crucial is the fusion into a new entity of the so-called First World and Third World components of South Africa — though the bank does not use these clichéd terms.

The bank points out that the dominant theme of the new South Africa will be the economic development of the previously disadvantaged. It sees challenges in reshaping not only the formal economy, or modern sector, but also in developing the much larger marginalised sector of the population.

A lot is at stake. The future economic prospects of southern Africa depend, says the bank, on the successful reconstruction and growth of the South African economy. Moreover, the process of restructuring the modern sector and that of developing the disadvantaged community must come together in one vibrant, new economic system. Without prompt attention to building bridges between the two worlds, plans for economic growth will founder on unsatisfied expectations.

The modern sector is small, the report notes, and growing too slowly to hold out much promise of higher and sustained growth. Only if the marginalised majority produces the needed skills, management ability and drive, will yearly growth of four percent be achieved.

Bridging the long-institutionalised divide between people, says the bank, will need "purposeful private and public action and support for the idea of an economic reconstruction programme underwritten by local and foreign financial resources".

Among issues to be tackled are employment in industry, access to capital for both homes and business, urban and rural settlement and collective decision-making in industrial projects. On industrial employment, the directors' report notes that the possibility of a programme of vigorous export-led growth and development with high employment is limited.

International comparative advantage based on high degree of skills does not favour South African industry because the country has relied on tariff protection in its import-substituting industries instead of becoming competitive, and concentrated on capital-intensive sectors such as iron and steel.

The bank criticises "recent cases of deliberate and costly fiscal support for highly capital-intensive industries ... Such projects should depend on their own commercial viability". These include, according to La Grange, Mossgas and more recent projects flaunted by the business community like the Columbus Stainless Steel and Alusaf aluminium project. While these projects will earn foreign exchange, they will not create many jobs: "Something else could have been done with the allocation of state funds."

Car insurance probe coming

CT 25/6/93 (58)

Political Staff

THE new board of the troubled third party insurance scheme is to investigate "capping" — setting a maximum amount payable in respect of certain injuries, Transport Minister Dr Piet Welgemoed said.

He also announced the names of the new board members yesterday following the restructuring of the Multilateral Motorvehicle Fund (MMF), found last year to be insolvent.

REINSURANCE FM 25\6\93

Biting the dust

(58)

Reinsurance capacity in Europe is dwindling as more institutions pull away from the non-life market. The results are sure to show in the deals struck by SA direct insurers; com-

FM 25\6\93

mercial insurance premiums will rise. (58)

Among the latest European developments is the decision, by Netherlands Reinsurance Group, a subsidiary of the banking-to-insurance giant Internationale Nederlanden Groep, to end its involvement in nonlife reinsurance. What adds piquancy to that decision is the Dutch company only three years ago bought out a British reinsurer and is now suing the organisations which advised it during the takeover.

The Dutch reinsurer has increased provisions for the losses inherited from its takeover of Victory Reinsurance by Fls100m (about US$54m) to Fls844m. After running off its nonlife book, the company will handle only life and disability reinsurance.

Explaining its decision, Netherlands Reinsurance confirmed the experience of others caught in long-tail business. It was confronted with the run-off of mainly asbestos and environmental claims on liability policies written in the Fifties and Sixties, as well as the increase in catastrophe claims.

The company is seeking to recover its provision through the legal action it is taking against the organisations advising it when it bought Victory in 1990: actuaries Bacon & Woodrow, accountants Ernst & Young and Swiss Bank Corp. ■

BOND MARKET FM 25/6/93 (58)

New deal for over-the-counter tr...

The Financial Markets Advisory Board has recommended regulatory changes to the Finance Minister to bring supervision of financial markets into line with international practice. If its recommendations are accepted an estimated R700bn in informal market bond trading will not be consigned to oblivion.

At present, under the Financial Markets Control Act, trading in listed securities must be routed through a licensed exchange. Plans to introduce a Bond Market Exchange are well under way.

Under the proposed new dispensation, which would come into operation only after legislation has been accepted by parliament, participants who are not members of the exchange would be free to trade directly with each other through, for instance, electronic networks. But they would be obliged to hold capital against their risk exposure, says Chris de Swardt, Deputy Reserve Bank Governor and board chairman.

Capital requirements are likely to be introduced through a Financial Services Act which will cover all investment and financial services. Institutions that have to meet capital requirements in terms of other legislation will be exempted.

The board has been considering how to control risks without inhibiting the development of financial markets. An estimated 60% of bond trading still takes place over the counter and the explosion in trading (in government and government-backed securities) has already created huge performance and settlement risks.

Figures for earlier years are unreliable; an estimated R1 300bn traded on and off the market in 1992. Risks are borne firstly by parties in the market, secondly by banks which bank mark (guarantee) the cheques and, finally, by the central bank which underwrites the entire settlement chain.

The committee proposes moving on two fronts, says De Swardt. It will take several years to investigate and introduce appropriate capital standards. So the board recommends that formalisation of the market should proceed. (It was proposed five years ago by the first Jacobs report — into the SA bond market.)

A phased approach to the full formalisation of the bond market has been adopted:

- ☐ From July 16 only BMA members will be allowed to trade in a centralised bond market, following exemptions from the Act granted by the Financial Services Board last week;
- ☐ The introduction of a guarantee fund to safeguard the interests of investors by September 2;
- ☐ From September 2 all trade must be formally reported through the BMA; and
- ☐ A full risk management and electronic clearing and settlement system will be available with the opening of a licensed bond market exchange in about April.

Facilities for trade reporting, clearing and settlement are being provided by Unexcor, which will become a recognised clearing house, in terms of the Act. Scrip will be held in a central depository, established this month, and transfer will be made electronically.

The Bond Market Exchange will accept responsibility for self-regulation of participants in the formal bond market.

A position paper on the phased implementation will be issued "to eliminate areas of uncertainty."

Another issue under discussion is the consolidation of supervision of different financial markets under one regulatory authority. This supervision has already been the subject of enquiry by two committees. The second Jacobs Committee — on the promotion of equal competition for funds — proposed a single policy board to co-ordinate major policy decisions The Melamet Committee — on the feasibility of a comprehensive approach to financial supervision — formed as a result of the Jacobs Committee recommendations, went further. It suggestd a move to a unitary regulatory structure.

Government has yet to make a decision on the recommendation. ■

INSURANCE FM 25/6/93

Linguistically speaking

58

Gobbledegook in insurance documents is again under fire. Unless it is simplified, insurance is unlikely to attract unsophisticated

Cont

FM 25/6/93 (58)

consumers, and linguistic complications will hamper attempts to expand the insurance industry to other African countries.

SA Insurance Association CE Rodney Schneeberger says simplified wording is an ongoing project that cannot be achieved overnight.

David Hersch, director of Compuquote and a voluble campaigner for consumer rights, cites a traditional insurance clause and its translation:

□ "Unless otherwise provided in writing added hereto, this company shall not be liable for loss occurring (a) while the hazard is increased by any means within the control or knowledge of the insured; or (b) while a described building, whether intended for occupance by owner or tenants, is vacant or unoccupied beyond a period of 60 consecutive days; or (c) as a result of explosion or riot, until fire ensue, and in the event, for loss by fire only."

Rudolph Flesch, whose readability ratings form part of the system used in compiling Times Media publications, translated that to mean:

□ "You must keep your building and property in as safe a condition as possible. If you are aware of a condition under your control that increases the risk of loss, we'll suspend the coverage while the hazard exists. We'll reinstate your coverage as soon as the hazard is removed. You may leave a covered building unoccupied but you must not leave a covered building vacant for more than 60 consecutive days or we won't be liable for your losses."

Hersch believes few insurance consumers understand their policies.

The situation will be worsened in future. St Paul's, a US insurer, called in Flesch and his associates to rewrite hundreds of docu-

Cont

(58) FM 25/6/93.

ments, including commercial policies, without the legal jargon. Most policies, he says, have been drafted by lawyers seeking to protect the insurer's rights: these policies have been amended over the years to include phrases which have been tested in court.

Another change introduced by Flesch to St Paul's was the size of print. All clauses are consistently printed in 11-point type, which is larger than that in most newspapers.

Says Hersch: "I don't claim insurance policies are drafted with a view to avoiding or repudiating claims. But they are drafted in such a way that they defeat the reading capability of the average customer. So, very rarely, does the poor devil know what he is buying and what his rights are."

But Schneeberger points out: "Making documentation more user-friendly is an aim. However, an insurance policy is a contract and must be framed so that it stands up if, ultimately, it comes before a court." ■

Propcor considers split into two companies

BiDay 25/6/93

LINDA ENSOR

CAPE TOWN — Abbey Holdings subsidiary Property Corporation (Propcor) is considering splitting its trading and fixed asset businesses into separate companies with a listing for one.

Chairman and CEO Benny Rabinowitz said at the AGM yesterday all options were being looked at.

He noted a lack of investor interest in the group as presently structured. While Propcor had three excellent properties with a good tenant base and good rental growth, its trading arm had made losses last year. This lack of differentiation confused investors who would understand the group better if it was split up.

In the year to end-December 1992 Propcor made a R7m attributable loss which translated into a loss of 25,2c (loss of 4,1c) a share. Rabinowitz estimated that about 75% of Propcor's capital assets were in the asset company and 25% were in trading operations.

Star 25/6/93

DBSA distributes R449-m

By Stephen Cranston

The Development Bank of Southern Africa (DBSA) distributed R448,6 million in loans and grants and approved new commitments of R1,754 billlion in the year to March. (58)

Interest income more than doubled from R61 million to R133,5 million and interest from development loans rose from R195 million to R270,5 million.

Operating expenditure rose by 4,2 percent to R108 million and the surplus of income over expenditure after provision for a general reserve rose from R34,9 million to R105,1 million.

DBSA plans R2,8bn in spending

CT 25/6/93 (58)

Own Correspondent

JOHANNESBURG. — The Development Bank of Southern Africa is poised to spend R2,8bn on new projects after a massive increase in the number of projects approved in the financial year ending March 1993.

However, while project approval is proceeding rapidly, bottlenecks in the delivery system are preventing the funds from being paid out and are stopping projects from getting off the ground.

The bank, which released its annual results yesterday, said only R448,6m of a budgeted R1bn had been spent in the past financial year. CE Andre la Grange ascribed the problem to the drawn out political settlement process, the violence and lack of implementation capacity.

La Grange said that when foreign money started flowing into the country, the danger existed that it could be wasted because of institutional problems. He appealed to the international community to assist SA in building up its capacity to spend funds earmarked for development.

SA's current implementation capacity did not exceed R2bn a year.

The amount of new commitments during the year increased more than fivefold to R1,8bn, bringing the cumulative total committed by the bank to 1 200 programmes and projects worth more than R7,4bn, of which about R2,8bn was still to be disbursed. The bank was highly liquid and ideally placed for its role in the transitional phase, La Grange said.

Board chairman Wiseman Nkuhlu said in his report a quantified "development vision" was needed that was based on priorities set through participation. He said yesterday that detailed projects and programmes acceptable to South Africans in general had to be put on the table. There should be a clear understanding of the role of the public and the private sectors, non-government organisations and other institutions.

The bank contained the increase in its operating expenditures to only 4,2% while its surplus of income over spending rose sharply to R105m from R34,9m in 1992.

Investec set for gains from inflow of foreign funds

B/Day, 25/6/93

INVESTEC Bank sees investment from offshore as a key area of growth for the futures market.

Chief dealer Bryan Coyne says the bank is in a good position to benefit from the expected growth in foreign business that will come to SA once it is back in the international investment fold.

Investec has a subsidiary in London — Allied Trust Bank — and an interest in the Amsterdam financial house Integro NV.

Coyne expects Europe to increase its investment in SA and the group's operations in Europe put it in a good position to attract this business. "It's going to be the 'in-thing' to invest here and we're well placed on the European circuit."

Investment from the Nordic countries has already started to flow into SA gilts.

He expects millions of rands of investment to flow into SA from next year, with advance speculative investment trickling in later this year.

(68)

Importance

SA makes up about 1,5% of the Financial Times World Index, highlighting the importance of SA in global investment managers', portfolios. Also, SA's all gold index is the only futures contract worldwide that focuses solely on gold shares — a further attraction to offshore investors.

Investment from the US is likely to remain stymied due to the minefield of sanctions still to be lifted, he says.

Investec is consolidating its SA business base in readiness for the inflow of foreign investment. It also has foreign exchange, money and capital market operations so is able to handle offshore deals from start to finish.

BRYAN COYNE

African Bank grows net income

BDay 25/6/93

SHARON WOOD

AFRICAN Bank has increased net income after tax by an annualised 8,1% in 1993 to 1991's 34,1%. (1346) (58)

The bank's results released yesterday for the 18 months to end-March, its new year-end, showed net income had grown to R2,19m from R1,35m in 1991. Total assets rose by an annualised 34,3% (33,1%) and deposits grew by 35,1% (33,3%).

Chairman Sam Motsuenyane said business conditions were expected to remain difficult during the next financial year.

CE Jack Theron said the bank would continue to monitor its credit risk exposure and focus on its key objectives of improving its return on assets and shareholder's funds.

A total ordinary dividend of 10c (7,5c) a share was recommended by the board.

Theron said the bank would decide on whether it would pay out interim dividends on a regular basis after seeing the first six month results of the 1994 financial year.

The bank planned to open branches in Pinetown, Pretoria, Isipingo, Phalaborwa, Botshabelo, Port Elizabeth and a second outlet in Pietersburg during the next financial year, he said.

Planned branches in Germiston, East London and Phuthadithjhaba had been opened during the period under review.

African Bank's disclosure of operations remained low, but Theron said it would be ready for full disclosure next year.

Development Bank is poised to spend R2,8bn

BiDay 25/6/93

(58)

GRETA STEYN

THE Development Bank of Southern Africa is poised to spend R2,8bn on new projects after a massive increase in the number of projects approved in the financial year ending March 1993.

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The bank, which released its annual results yesterday, said only R448,6m of a budgeted R1bn had been spent in the past financial year. CE Andre la Grange ascribed the problem to the drawn out political settlement process, the violence and lack of implementation capacity.

Institutions with the capacity needed lacked legitimacy, while those with legitimacy were not yet in a position to deliver. The bank had expanded its focus to include non-governmental and community-based organisations. While these were closer to the communities it wanted to serve, they needed support to build capacity.

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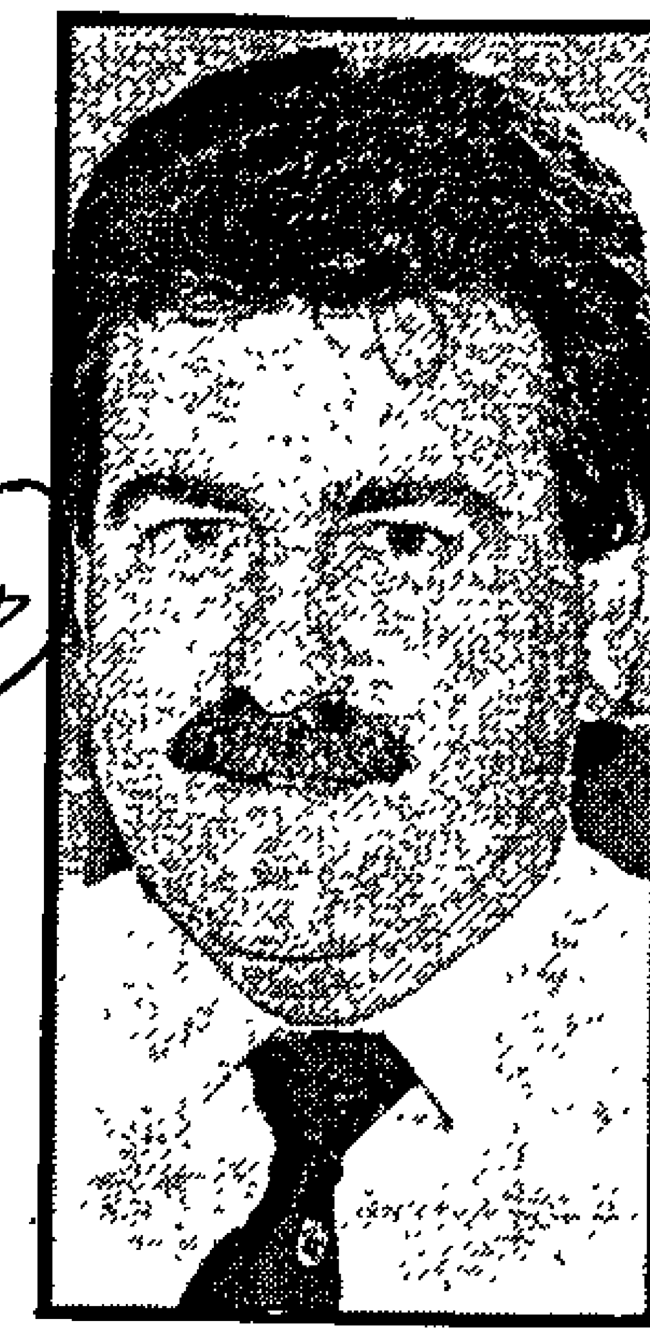
Unit trusts to get the nod but there will be limits

BDay 25/6/93

58



BRETT STACEY

THE unit trust industry is to get the go-ahead to invest in the futures market soon, according to the Financial Services Board Bulletin.

The report says unit trusts will not be given carte blanche to trade in the market as some limits will be necessary, at least in the beginning.

Unit trust performance is expected to be enhanced by trading in futures, due to the hedging potential of the market.

The report says the board looked at British unit trusts, since its rules were similar to those of the local unit trust industry. That country's unit trusts have been trading in the derivative markets for a number of years. The report outlines two approaches on the issue in SA.

In the first, it says derivatives should not be used as a vehicle to exceed current investment limits of 5% or 10% in a particular security.

Combined

They should also not be used to attain negative investment in any security and investment in derivatives should not be used to gear the fund and obtain an investment of more than 95% in equities.

It should also not lead to a negative investment in shares.

Limits are to be placed on the buying and selling of options as well as the writing of options. It says investment in futures should be combined with options written by a fund to determine limits. Also, all futures positions have to be covered.

The buying of options, which have limited downside potential, will only be losely regulated.

In the second approach, for managers using more sophisticated methods, deriviatives should not be used to exceed the current investment limits.

They should also not be used to attain negative investment in any security. Similarly, the investment in deriviatives should not be used to gear the fund and obtain an investment of more than 95% in equities and should not lead to a negative investment in shares.

In regard to limits on options and futures, the report says the total gross economic exposure to all deriviative positions (futures and options bought or sold) should not exceed 20% of the value of the fund.

Covered

All deriviative positions have to be covered. There must, in addition to the normal cash holding, be cash to cover the economic exposure from long as well as short deriviative positions.

Limits imposed on the buying and selling of options are the same as for the first approach.

The report says the supervision of the new system will be left to the trustees of the unit trusts.

However, these additional functions will be a cost factor to the trustees and users of deriviatives should bear the costs of additional supervision to protect unit trust holders.

JSE opens floor to derivative brokers

BDay 25/6/93

IN a move widely welcomed by futures brokers, the JSE has decided to open its membership to derivative brokers.

The decision gives derivative brokers limited access to the JSE by allowing them to trade on the floor only in those shares that make up the index in which they hold a futures position. The JSE has still to finalise the nuts and bolts of the new membership class.

Amendments

JSE operations director Neil Carter says the necessary amendments to the Stock Exchanges Control Act are currently before Parliament and can be expected to be passed into law soon. The new laws will allow the JSE to amend its rules to accept the new

LIFE ASSURANCE FM 25\6\93

Switching portfolios (58)

With the impending demise of the Sixth Schedule to the Income Tax Act, life assurers are rushing to market new products. Most are designed to take advantage of the fact that pure savings policies, without life cover, will no longer be penalised by tax.

Timelife, one of the smaller offices, has taken the savings theme further. In the past, says marketing GM Tony de Munnik, investors' choices have been largely confined to the portfolios managed within the assurer's organisation. "Once they have taken out their policies, investors have been powerless to change the investment managers even if they are unhappy with their returns."

But, he says, the company deals mainly with upper-income clients who are often discerning enough to determine in which portfolios their savings should lie.

The company's "Classic Alternative" gives them the freedom to switch portfolio management and a limited choice of managements. There are three managers for the equity and two for the managed portfolios (but only one for the cash portfolio).

The managers of the equity portfolios are Board of Executors, Investec and UAL Merchant Bank. De Munnik says the performance of the three, measured against the JSE All Share index, will be circulated regularly to Timelife investors.

The managed funds — a spread of equities, property, fixed interest securities and cash — are controlled by the Board of Executors and Timelife. ■

'Unit trust industry set to grow'

South 26/6-30/6/93

(58) (99)

OLD MUTUAL Unit Trusts have attracted one in four investors in unit trusts in South Africa says Unit Trusts manager Mr Selwyn Feldman. Feldman says there have been strong inflows into their seven funds and their assets have topped R4 billion for the first time.

The increase was due to the launch of their new Growth Fund in April and a spurt in their Gold and Mining Funds.

Another reason was the 40 percent discount offer on initial charges made in the first month.

Feldman said investors were showing a 62 percent return on investments made one year ago in the "volatile" Gold Fund.

However, he called for caution in the coming months given the recent run in the markets and advised investors to spread their investments.

He said the unit trust industry will grow this year with more black investors placing their savings in the industry.

Less than three percent of total savings are currently invested in unit trust industry.

Ideal for saving for a home

South 2616 - 30/6/93

(58)

INVESTING in unit trusts is an ideal measure to save for buying a house. Old Mutual has developed their Homeowners Trusts which has the potential to beat inflation in the long term and can be withdrawn at any time.

Already over one million people in South Africa have started to invest this way to save for deposit on houses and to cover other costs like tranfers fees.

Today, depending on the home loan granted from a financial institution, people will pay between five and 10 percent as deposit.

It has been have calculated that buying a R100 000 home would need starting capital of R24 875: To cover a deposit of 20 percent, transfer fees and duties, inspection costs and loan registrations.

● Old Mutual also offers an Education Trust which enables parents to save for their children. An alternative to the Education Trust is a stokvel system where a club would invest a minimum of R200 in a Group Trust. Money can only be withdrawn if all members agree to protect the individual.

June 26 to June 30 1993

South 26/6 - 30/6/93

Beat inflation with unit trusts

(58)

A UNIT trust is a kind of investment that allows people to save collectively.

The money from various investors is pooled together in a fund. Fund managers, known as portfolio managers then use this money to buy assets, usually shares quoted on the Johannesburg Stock Exchange.

At all times, a certain number of assets will be held in cash. The assets and the cash are known as a portfolio. Because of their size, the funds are able to buy large quantities of quality shares.

The minimum monthly investment in a Metlife Unit Trust is R50, which can be increased at any time. The minimum lump sum to start with is R500. Contributions can be stopped any time.

The fund distributes income twice a year. An investor can sell units at any time back to the management company, which is obliged to buy them back.

All unit trusts are governed by the Unit Trust Control Act which requires them to keep 10 percent of their funds in cash and 90 percent in investments.

The annual return over the past three years of general equity trusts has been 20,03 percent as opposed to inflation of 13,42 percent.

Unit Trusts have performed better than any other investment over a five year period since 1973 constantly beating inflation.

For example: investing R100 over five years would yield 15 percent to R8 734 although you would only have paid R6 000. The 15 percent return quoted is well below the average unit trust return of 20,76 percent.

Investing R10 000 just 15 years ago would be worth R305 000 today at a 25,59 percent return.

The dividend income is tax-free as capital growth is not taxed.

The Metlife Unit Trust recorded a return of 10,8 percent for the year ending 31 March 1993. By contrast the Johannesburg Stock Exchange Actuaries All Share Index recorded a total return of only 3,8 percent for this period.

Getting involved includes an initial charge of a maximum five percent of the price plus brokerage and other compulsory charges of about 1,75 percent. The normal service charge of 0,75 percent is deducted from income distributed to investors.

SOURCE: RICHARD ELLIS INTERNATIONAL DEC 1992

S/Times (Buss)

Tokyo office 18 times dearer than Jo'burg

27/6/93

TOKYO office rents cost 18 times more than in Johannesburg. London's cost 10 times more than Johannesburg's on average.

(58)

Mortimer Property Group director Paul Robson says a flaw in the comparison is that it does not take into account the buying power of businesses in these centres. But it does show that SA property is cheap by international standards.

Climax to a banking brawl as boss leaves

S Times (Buss J) 27/6/93

(58)

By CHERILYN IRETON

KEVIN de Villiers and Bob Aldworth will not be sad to see Piet Badenhorst quit.

For the past 2½ years the three have been embroiled in one of the dirtiest brawls in SA's corporate history.

The trouble started in 1991 when Rembrandt unveiled a plot to place its financial services associates — United, Allied, Volkskas and Sage — in what would become R50-billion Absa.

Weapon

Mr de Villiers, head of Allied, objected. He said he would prefer to work for First National Bank, another contender for Allied.

Using the media as a weapon, Mr de Villiers sniped away in an attempt to wreck the deal. But it went through, leaving him locked, briefly, in the same stable with Absa head Mr Badenhorst.

Mr Badenhorst won that round. Within four months of Absa's formation, Mr de Villiers was out of headquarters.

Shortly before Mr de Villiers' suspension and subsequent resignation, former First National Bank managing director Bob Aldworth was appointed to the Allied board — on Mr Badenhorst's recommendation.

Mr de Villiers set up his own business, Arcay, and Mr Badenhorst concentrated on his latest acquisition — debt-ridden Bankorp.

Mr Aldworth had moved up in the hierarchy.

Mr Badenhorst tried to bed down Absa, but the group was rocked by multimillion-rand frauds and bad and doubtful debts inherited from Bankorp and TrustBank.

Piet Liebenberg, former Bankorp chief, left to sell Bibles, opening the way for Absa to take action against Bankorp customers Tollgate Holdings and Rusfurn.

Tollgate was liquidated owing R600-million and Rusfurn management was replaced with Badenhorst men.

About this time — last December — Mr Badenhorst's sleuths started to look at Mr Aldworth's dealings.

He was fired in February and skipped the country. To defend himself against allegations of theft and embezzlement, Mr Aldworth told of phone tappings, allegedly authorised by Mr Badenhorst, horrendous bad debts and chaos in Absa.

On another front Absa had been fighting a protracted battle with sports promoter Peter Mancer over a sponsorship deal Mr de Villiers authorised while at Allied.

Mr Mancer took Absa to court. Absa lost and appealed. It lost the appeal and then petitioned the Chief Justice for leave to take the matter to the highest court. A lower court had described Absa's battle with Mr Mancer as involving a R100-million grudge against Mr de Villiers.

In April this year Mr Mancer's home was raided by tax inspectors. Mr Badenhorst's son Frikkie, a national serviceman attached to Inland Revenue, played a prominent role in the raid.

Discipline

A bank inquiry found that Frikkie Badenhorst's seniors were guilty of poor judgment. The officials concerned were subjected to undisclosed disciplinary measures.

The Absa board settled with Mr Mancer for an undisclosed sum this month while Mr Badenhorst Snr was out of the country.

Master property franchise for Perm

ST Times (Buss)

By TERRY BETTY

THE Perm, a division of Nedcor, has bought the master franchise for the world's second-largest property franchiser. (225)

Electronic Realty Associates (ERA) is an American-based franchiser with 3 300 offices and more than 35 000 full-time property agents.

Perm assistant general manager Gian Sdoya says the acquisition is part of a plan to increase mortgage lending.

The Perm has a stake in Realty 1, said to have the largest turnover in SA. (58)

The Perm will not take part in the estate agency business of the ERA franchise, but will score from bond business referred to it.

Mr Sdoya says more than half of SA bonds are referred to banks by estate agents.

The Perm will allocate the franchises to medium-sized estate agencies. They will refer a certain percentage of turnover to the Perm.

ERA South Africa managing director Willie Marais says the franchise will start operations in 40 offices on Thursday. 27/6/93

Mr Marais says estate agents want preferential financial treatment, such as lower bond rates, for their customers.

They also wish to be part of an umbrella organisation and benefit from institutional advertising.

Sanlam queries Osborn's State pension claims

S/Times (Buss) 27/6/93

By CIARAN RYAN

SANLAM has hit back at suggestions that defunding State pension funds would eliminate their R28,9-billion actuarial deficit and save R6-billion a year in interest.

Replying to Nedcor Bank chief economist Edward Osborn's call to halt efforts to reduce the actuarial deficit on the grounds that they are undermining State finances, Sanlam general manager Francois Marais says this would worsen the shortfall.

"Mr Osborn is in fact voting for the pay-as-you-go system which helped to cause the huge deficit in the first place, partly because the extent of the problem could be hidden," says Mr Marais.

Security

"He seeks a repetition of that grossly irresponsible system."

Mr Osborn says that instead of trying to eliminate the 49% funding shortfall in the four funds, the Government should "collapse" them into the State revenue account and disburse benefits directly from it.

This would reduce public debt by R39-billion and save R6-billion a year in interest payments.

The State's contractual obligation to public servants is adequate security for pensioners, says Mr Osborn.

Mr Marais counters: "Changing to pay as you go would not save money. It would merely defer payment, causing an even larger hidden Government debt in the form of an actuarial deficit."

Mr Marais argues that full funding induces discipline and ensures that retirement benefits remain a stable percentage of payroll.

"A pay-as-you-go system makes smaller demands on cash flow at first, which will have to be made up by larger contributions later. Funding provides security for the members."

Mr Osborn says: "Francois Marais's reaction to the idea of defunding the State pension funds is perfectly understandable and visceral.

"The idea of defunding may be seen as too radical for the moment, but it may be forced on SA ultimately."

Mr Osborn says pension obligations are another category of State liabilities and if dishonoured, would undermine the constitution and the law of contract.

To reduce the shortfall, the State is paying employers' contributions 2,8 times that of employees compared with two in the private sector.

A further R4-billion in capital contributions has been pumped into the funds.

It has also been suggested that the Government has tailored high interest rates on long-term stock held by the funds to achieve full funding.

58 Expense

The effect of these extraordinary measures, which are at the expense of the taxpayer, is to accelerate the rise in the public debt and, consequently, the increase in the interest burden in the budget," says Mr Osborn.

"The choice is stark: the ultimate apparent security of the public servant pensioner or the bankruptcy of the State."

Zimbabwe and Britain have adopted the pay-as-you-go method of funding.

Mr Osborn says imminent political changes make it unlikely that such a system will be adopted in SA.

Lease the offices, own your factory

S/Times (Buss) 27/6/93

IT makes more sense for a business to lease premises than to own a building.

A well-endowed company need not plough its cash into a building, says Seeff leasing broker Peter Rowell.

This might seem nonsensical. After all, property is said to be an excellent inflation-beating investment. Why pay rent when you can own the building and pay off a bond?

Mortimer Property Group director Paul Maddison says the acid test is whether a business can obtain a better return by investing its cash in a building or using it to run the business.

Mr Maddison says many companies would expect returns far greater than 20% to 25%, the internal rate on a property over 20 years, if they ploughed their funds into their businesses.

Mr Rowell says Seeff has a computer model that uses all the variable factors to calculate which is the best option for a particular company.

He says that it mostly pays the company to buy its offices if it intends to keep them for more than 10 years.

The problem is that few businesses know what size they will reach or what office space they will require 10 years down the line.

Fair

Mr Rowell gives an example of an office unit of 900m² in Maitland, Cape Town, with open parking for 30 cars.

It can be leased at a fair rent of R15/m², resulting in a yield of 12% with escalations of 15% a year.

The business has the option of buying the building for R30 000 at a bond rate of 18% with repayments over 15 years. The opportunity cost of the cash deposit is 15% and the discount rate is 15%.

The example presumes the building is sold after 10 years.

Looking at it in today's money, the investment shows attractive returns of R414 000 after three years, R986 000 after five and R3,7-million after 10.

However, the canny investor would look beyond this:

Negative cash flows accumulate as the bond repayments exceed the rent the business would have paid in the initial years. Discounting this to the net present value shows the business has lost money on the building.

It would lose R193 000, R212 000 and R40 000 after three, five and 10 years.

Thereafter it would start to make a profit.

Mr Maddison says 95% of people wishing to buy their own building decide to lease after looking at the figures.

Before a company even considers buying a building, it should consider whether it can afford the deposit, which can be as high as a third of the buying price.

The business must also be able to handle the strain of the negative cash flow. In the first five to six years the bond repayments will exceed the rent that would have been paid for the space.

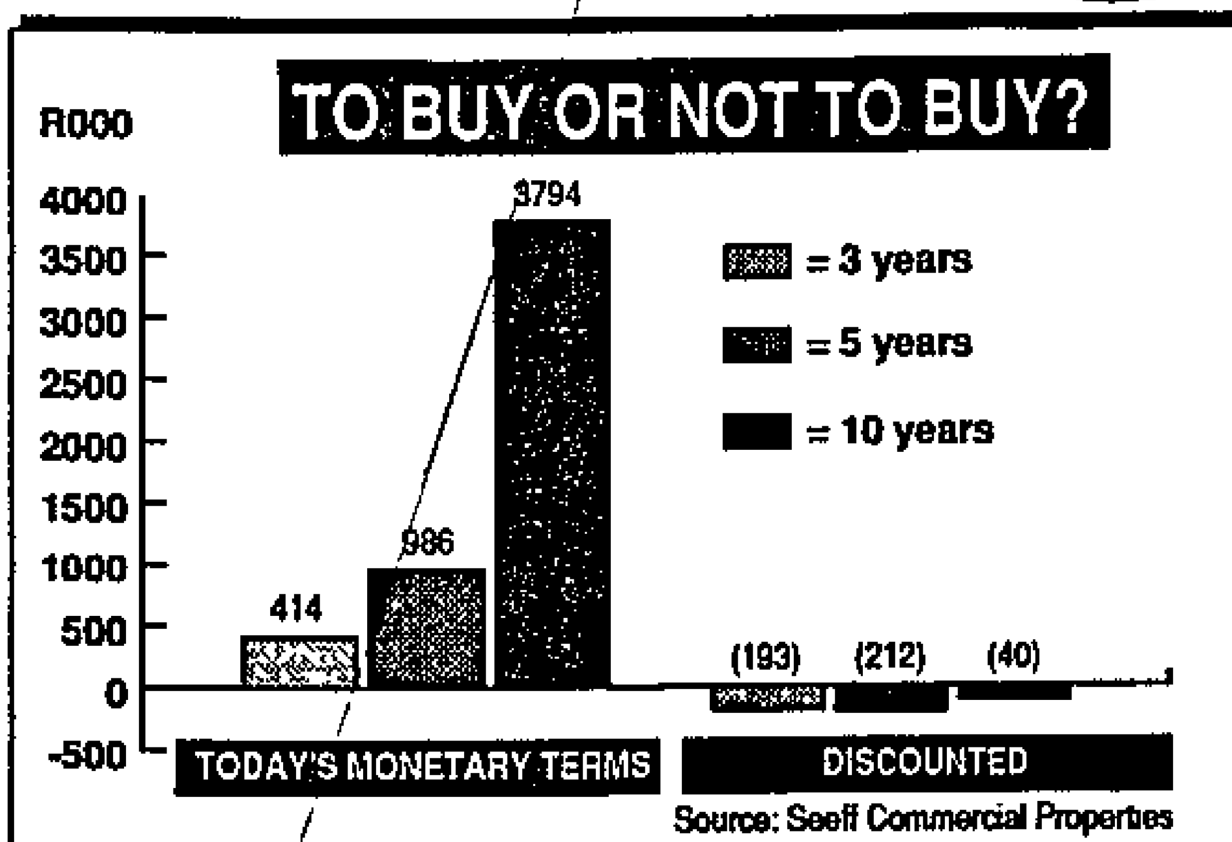
Apart from the number-crunching aspect, if the company grows it will need different premises and be forced to sell the property.

Property usually goes at a discount when the sale is forced.

Other advantages of leasing are that on the expiry of the lease, the company is able to move into premises that have been refurbished at the landlord's expense. The company would have to pay for refurbishment if it owned the building.

Mr Rowell says: "Leasing office space becomes even more attractive once you take cognizance of incentives offered by landlords. They include rent-free periods, relocation allowances, naming rights and the fact that lessors often modify the premises for the tenant."

External factors to take into consideration include the effects of the political and social environment on the building and how they could affect the property's value.



Other factors include rents, escalations, the size and price of the property, the opportunity cost of the deposit, discount and bond rates and the term of the loan.

Mr Maddison says the decisions to be taken are entirely different for industrial space. In this case it is far better for a company to own its premises.

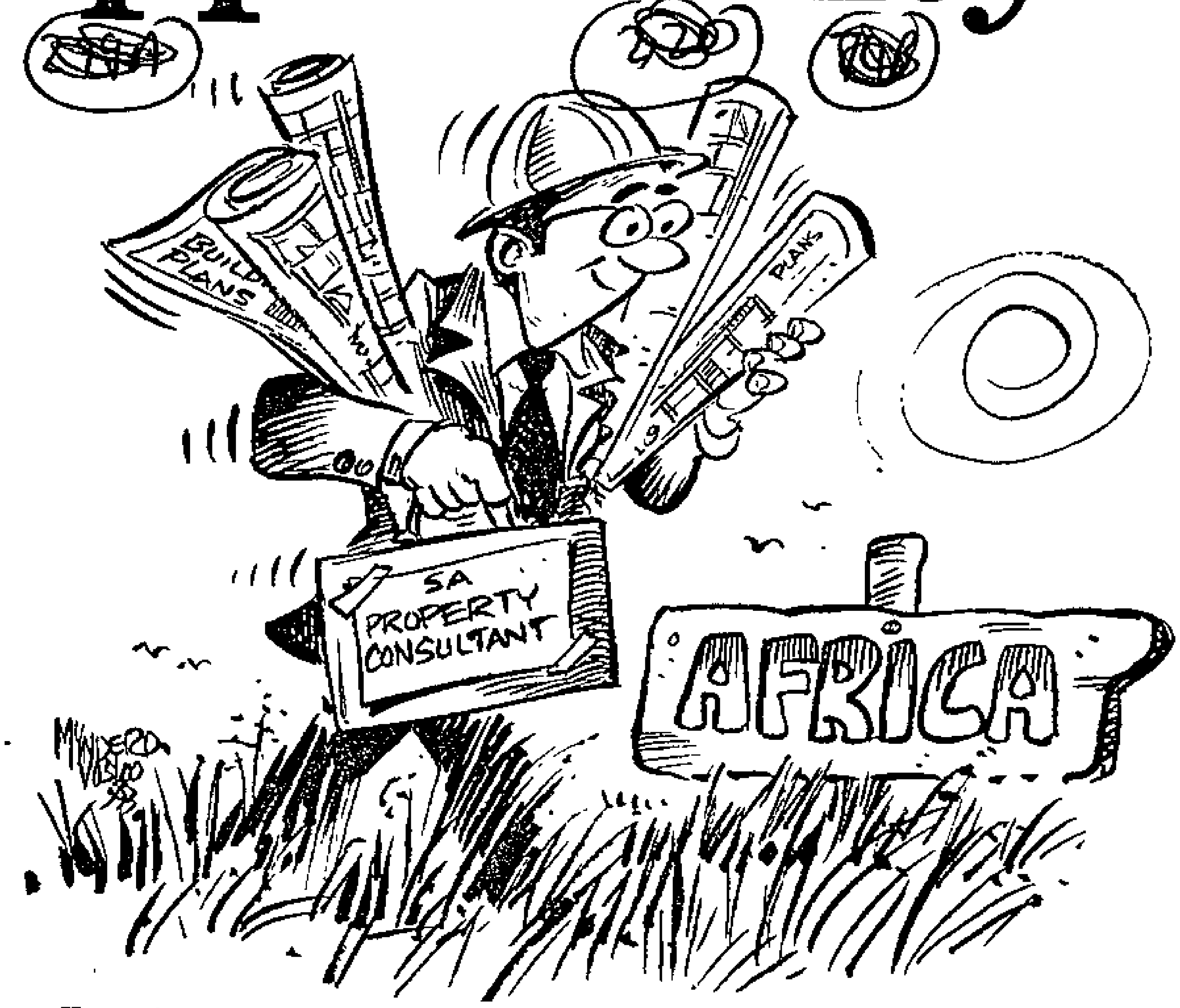
The main difference is that industrial premises have to be user specific. A company must be able to make changes to its plant without asking for the landlord's consent.

"The landlord can have the industrial company over a barrel because he knows it is not that easy for it to simply shift its plant if it is unhappy with the terms of the lease," says Mr Maddison.

COMMERCIAL AND INDUSTRIAL PR

Neighbours offer SA opportunity

S1Times CBuss 27/6/93



PROPERTY developers have their eyes on doing business south of the Sahara.

JHI subsidiary Downtown Development Corporation (DDC) managing director Dave Marais says African and other foreign markets are opening up to SA.

"Many neighbouring states suffer from a shortage of qualified people and capital. So the potential for South Africans to offer consulting services is enormous.

"Countries such as Mozambique, Zimbabwe and Zambia are finding it increasingly difficult to tap to world aid agencies because donors demand a high level of management skills to be attached to funded projects."

DDC provides consulting services for the rehabilitation of buildings, leasing, sales and valuations.

South African Foreign Trade Organisation (Safto) Africa director Paul Runge says the opportunities for SA firms to consult in Africa are huge.

Donors, such as the World Bank's private-sector arm, the International Finance Corporation (IFC), seek to stimulate free enterprise in African countries heavily dependent on aid.

Stake

The IFC and the African Project Development Facility (APDF) will consider only projects that are financially worthwhile.

The IFC will take up to a 30% stake in a joint venture to ensure the project does not go stale. It wants a partner with strong management skill.

Mr Runge says technology, skills and training can be found in SA.

Investec Property Group (IPG) has concentrated on looking for developments in neighbouring countries.

IPG managing director Sam Hackner says these efforts have been made in Botswana, Namibia, Swaziland and Zambia.

IPG commercial letting arm Kuper has been active in Lesotho, which has a newly constituted government and is politically stable.

Mr Hackner says most retail developments are strip shops of about 6 000m². In most cases, 85% of the space is let to national retail chains and provision is made for space to be allocated to entrepreneurs from the areas.

(58)

The returns on such developments are higher than would be achieved in CBD or regional areas, taking into account all the risk factors.

"In our experience, all these developments have been solid, reliable income producers. They have been funded by private syndications and by banks."

Mr Hackner says Reserve Bank approval is required for a development outside the rand monetary area.

IPG has received inquiries from investors outside Africa. They are attracted by high yields from money placed in African countries.

Mr Marais says only countries, such as France, which have an understanding of Africa and how things work are willing to invest here.

Finding the money is the hardest work: "Many African currencies are worth zilch. Institutional finance, readily available in SA from insurance companies, is non-existent in most of Africa.

"We have to find finance from multinationals that have a base in Africa, or from European-based quasi-government aid agencies and banks."

Mr Marais says a multinational operating in Africa may finance construction of its commercial buildings as well as for blocks of flats for staff members.

However, a problem is that most of the land is held by the state which is unwilling to relinquish it.

"The state owns most of the flats that are rented out at exorbitant prices."

It may often take years to obtain land ownership in Africa.

Mr Marais says much patience is required because things do not move fast. African bureaucracy and business systems are not geared to commercial property development.

Old shops tarted up

STimes(Buss)

27/6/93

A Business Times SURVEY

IN SPITE of South Africa's troubles, commercial and industrial property has remained a relatively stable and profitable investment. TERRY BETTY reports.

TRENDY Johannesburgers are buying good-quality old houses at low prices, refurbishing them and selling at a large profit.

It seems that the trend of using what exists instead of starting from scratch has started to catch on in the retail and office sector.

Architect Adrian Maserow is involved in revitalising shopping complexes.

He says developers buy the property at a yield of about 11% to 12% and refurbish and retenant it, providing a different atmosphere.

Returns are a few percentage points higher than those from major shopping centres.

Higher returns are the result of the property being bought at a discount because it is poorly tenanted or unimaginatively marketed.

For example, cafes used to be a major drawcard in a neighbourhood. But large retail chains have now taken over as a hub.

Mr Maserow says: "This gives a stronger rental base as it includes a popular 'calling card' that attracts people from other neighbourhoods."

For example, clothing retailer Queenspark often attracts people from other areas.

Queenspark chairman Stewart Shub says that not all neighbourhood shopping centres work well.

"We choose those that are easily accessible and can be fed by several good suburban areas where A, B and upper-C earners live."

58

Fridge

He believes it is not worthwhile to be in a major a shopping centre where rents are more than four times higher than in the smaller ones.

He does not believe that being placed next to a large food chain in a regional shopping centre brings an advantage.

"Most people hate grocery shopping. By the time they get out of the shop with a trolley-load of food all they want to do is get home, put everything in the fridge and relax.

"We experimented by putting a small Queenspark store in Tyger Valley near Cape Town. But the takings a square metre of our Sandton store doubled this store's."

Mr Shub says a coffee shop is desirable in a shopping centre.

Mr Maserow says gymnasiums and coffee shops are part of the entertainment aspect of a shopping centre. People can use them to relax, watch passers by and inspect clothing.

Mr Maserow says that to succeed, these centres must have attractive architecture.

Mr Maserow says shopping centres should have several types of food or clothing shops.

He says the underlying cost of building a specialised centre is about R1 000/m² as opposed to about R1 500m² and more for the average shopping centre.

Even the office market is latching on to the trend of upgrading what exists instead of demolishing.

Seeff chairman Lawrence Seeff says that because of rising demolition and construction costs as well as time constraints, it is worthwhile for a developer to refurbish, especailly if the property is in a good position.

Position

"It will not be any less comfortable than a new block and the rentals, at about R20/m², are at a large discount to those of new buildings."

Another trend is the provision of spacious, efficient but affordable office space. Marble, granite and expensive finishes are the hallmarks of posh head offices.

Mr Seeff says this trend is evident abroad.

"Designers have put up lofty, open buildings of basic construction with minimum finishes, but located in prime business areas. They give tenants critically located space at competitive rates where they can alter the interior."

Many safe returns

STimes(Buss) 27/6/93

LIFE assurers have R5-billion of the R38-billion of discretionary assets they manage on behalf of pension and provident funds invested in property.

Alexander Forbes consultant and actuaries director Paul Robson says non-insurance fund managers have R617-million of the R28-billion they handle for these funds in property. For the last five years property investments have earned 18,3% compared with returns on equity of 23,4% and 18,2% on fixed interest.

Mr Robson says equity has been the best performer over any five years in the past 30, apart from hiccups in 1976 and 1969.

"Property lends an investment portfolio stability — rental income is fairly regular and capital appreciation smooth. Returns on shares by one-year periods are volatile."

Because insurance companies have large resources they can afford to swop a certain degree of growth for stability and invest heavily in property.

Mr Robson says that trustees of pension and provident funds no longer look only at a 10-year performance. They have reduced it to five years.

Non-insurance fund managers, who are measured on short-term performance, prefer equities for quick returns.

They hold the assets in the name of each pension fund, which is not allowed more than 15% in property. It is thus difficult to find sufficient money for a large property development.

This is why they have only 2,8% of their funds in property against 13,03% for insurance companies.

ACE

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Urbanised blacks need shop space

S Times (Buss) 27/6/93

SHOP rents in black retail areas of Johannesburg and Mitchell's Plain at the Cape exceed those in up-market centres such as Sandton City.

This proves that retailing's future lies in serving the growing urban market where there is a shortage of property development.

Seeff chairman Lawrence Seeff says: There is an oversupply of shopping centres in traditional white areas. Because transport facilities in these areas are poor, they are out of reach of blacks.

"Cape Town's Victoria & Alfred Waterfront has killed retailing in Sea Point."

Rents and market values in certain black areas rival those in up-market shopping centres, says Broll Property Group joint managing director Alan Wallace, writing in Erwin Rode's Real Estate Survey.

Mr Wallace says: "Rentals in line shops facing on Symphony Walk in Mitchell's Plain town centre exceed R100/m2 and retailers report that trading densities are among the highest in SA."

Black incomes increased 15,74% from 1985 to 1991 compared with 12,99% for whites.

The black population earned less than 30% of SA's disposable income in 1965, but this rose to 45% in 1985 and is expected to exceed 50% by 2000.

Train

58

Because many blacks pass through the major city centres using public transport, the property business is unanimous that retail development should centre on and around transport nodes.

For example, the Johannesburg City Council estimates that 500 000 people enter the city each day and many of them pass through the train and taxi nodes. Herbert Penny chairman and managing director Peter Penny believes black shoppers and retailers will stick to major central business districts.

She says in a paper on the essential functions of the CBD: "Decentralisation of white shoppers has been compensated for by blacks who use the CBD shopping areas because their own neighbourhood facilities are inadequate or unacceptable.

"In Chicago six major retail centres situated in predominantly black areas closed between 1967 and 1972 and many of these residents now shop in the core of Chicago's CBD."

Part of the reson for shoppers sticking to the CBD is the transport system.

Mr Penny believes Soweto would struggle to rival Reef CBDs because the transport system is oriented to Johannesburg and does not criss-cross Soweto.

The low car ratio limits the ability of residents to buck this trend.

Absa ready to cut losses and grow

BIDay

GRETA STEYN

FORMER Volkskas CE Danie Cronje took over the reins at Absa at the weekend, vowing to win back lost market share with a drive to increase its asset base.

And, in the wake of the departure of Absa CE Piet Badenhorst, Absa chairman Herc Hefer said he would like to settle the bank's dispute with former Allied MD Kevin de Villiers. 28/6/93

Cronje said in an interview that Absa, which had not grown in its past financial year while other banks had added 10% to their balance sheets, was now ready to go into top gear in competing for business.

It had opted for the "quick and difficult" road in dealing with rationalisation and bad debt problems — a move which had wiped out asset growth. It had been difficult to attract skillful corporate bankers to the group and existing staff members had not been focused on the market, but were looking inwards. (58)

"We looked at examples where rationalisation was achieved more gradually and decided it was the wrong route. By the time the first full set of accounts were announced we wanted all the problems out of the way. That is where we are at the moment." Cronje noted Absa had the infrastructure to support a huge asset base. The group has assets of R82,5bn.

An area where Absa needed to expand was the corporate market.

Asked about speculation of an imminent

□ To Page 2

Absa

BIDay 28/6/93

□ From Page 1

sale of troubled Rusfurn, and its effects on Absa's income statement, Cronje would only say that Absa would like to do a deal but it would have to be in the interests of shareholders. Market talk is that Rusfurn will be split up between the J D Group, Prefcor and Wooltru.

Cronje declined to speculate on the effects a lower bad debt charge in the next financial year could have on the group's results. In the long run, he was targeting a rising trend in return on equity (ROE) and return on assets (ROA). Absa's ROA, at 0,87%, was substantially lower than the 1,4% announced by FNB at its interim stage. The Standard Bank group's ROA has been consistently above 1%.

As for the group's image of being run by Afrikaners for Afrikaners, he said he "understood the perception" but it was not true. Top management included English speakers Doug Anderson and Malcolm Chapman.

(58)(~~328~~)

He declined to disclose the group's exposure in the townships, but said it was a small percentage of overall lending. The group's exposure in the townships depended on the associated profit and risk.

ANDY DUFFY reports that Hefer said yesterday Absa would like to halt the criminal proceedings it initiated against former Allied MD Kevin de Villiers and his former assistant Patrick Ronan.

Hefer said the bank had no wish to pursue the action, but that the matter was in the hands of the attorney-general. De Villiers and Ronan are to appear in court on August 16 on charges of fraud or alternatively attempted theft, and perjury.

Hefer said Absa was powerless to drop the case, and did not want to intefere in the business of the attorney-general's office

But the bank wanted to end its long-running and bitter dispute with De Villiers, and draw a veil over the poor publicity that has dogged the group.

"It's time to get ourselves off the front pages of the Press," Hefer said. "I would like it (the court case) to go away. We've got nothing against them, but this is the attorney-general's case. I don't know what Absa can do about it."

The charges against De Villiers and Ronan stem from a complaint Absa lodged after a case Ronan brought and lost against Absa in January 1992 for allegedly contravening employment laws.

● Picture: Page 3
● See Page 4

Sowetan 28/6/93

New SA bank set to take off

SOUTH Africa's first community bank with a financial base estimated at millions of rands is to be launched possibly in September this year.

A community banking trust under the chairmanship of Dr Ellen Kuzwayo, with former SA Perm boss Mr Bob Tucker as chief executive, has been formed to investigate all aspects of the bank.

Addressing a press conference last week, Kuzwayo said leading figures from a broad spectrum of the formal and informal savings and lending institutions and prominent members of the community had been invited to join the trust.

(58)

The bank aims to help the low-income earners financially and allow them to acquire housing and education loans.

Kuzwayo said the findings of this investigation were submitted to the Council of South African Banks, which subsequently agreed to support a detailed study into the feasibility of establishing a community bank.

Protection for insurance holders

BT/Day 28/6/93

ADRIAN HADLAND

PRETORIA — An international association of insurance supervisors was established in Chicago last week with SA's Financial Services Board executive officer Piet Badenhorst elected as vice-chairman. (58)

Association chairman and US representative David Walsh said adequate protection of insurance consumers and the promotion of more secure insurance markets were of national importance to all countries.

As insurance markets became more complex and international, the adequate regulation of the industry assumed a position of vital economic and social importance, Walsh said.

Regulators from 53 countries attended last week's eighth annual conference of International Insurance Regulatory Officials where it was agreed to establish the association.

The primary aim was to engender awareness of common interests and concerns through the formalisation of an independent body representing insurance supervisors.

Other objectives included the promotion of liaison and co-operation among insurance supervisory authorities and the collation and dissemination of information.

While membership would be limited to countries' official supervisory authorities, legally binding agreements will not be introduced. Applications close in January next year.

Badenhorst has recently called for greater control of SA insurance agents and intermediaries.

Agents' claim 'legal'

Sowetan 29/4/93

By Mzimkulu Malunga

A CONTROVERSIAL assurance principle that employers can take out a life policy for their employees, and make themselves beneficiaries, is central to the acquittal of two former Sanlam agents by a Supreme Court judge last week.

The acquittal sparked off widespread anger amongst political organisations, with many calling for an independent inquiry into the deaths of five black men near Witbank in January last year.

But in terms of a life assurance principle called insurable interest, an employer can take out a life policy for an employee and become a beneficiary as long as the applicant (employer) can prove "employer-employee relationship".

In the Witbank insurance "scam" former Sanlam agents Mr Isak Kruger (31) and Mr Lukas Loubser (27) had employed the victims through JIT Distributors but policy premiums were to come from Cosmic Developers, wholly-owned by Kruger.

The five were killed when a minibus driven by Loubser plunged into a ravine.

Three survivors of the horror crash claimed handles inside the vehicle had been removed.

(58)

Loubser had been checking the engine at the rear when the vehicle rolled into the ravine. Kruger had followed in another car, claim the survivors.

Insurance experts said the former agents could still claim from the policies they took for all 13 of their "employees" which total R1 million.

When Kruger applied for the 13 policies he said the men were employed as sales representatives promoting "consumer articles" for JIT Distributors.

Sanlam's legal representative for the southern Transvaal, Mr Gerhard Pretorius, said the company would decide whether to honour the policies next week.

An official who did not want to be named was adamant there would be no payment to Kruger and Loubser. The two had resigned from the company immediately after the "scam" and the policies were not valid and were only a month old when the men died.

It takes about three to six weeks for a policy to be confirmed by the insurer, he said.

"Due to their resignation we have no business with them whatsoever. We do not know where they are and what they are doing," the official said.

It is not clear how many days were left, at the time of the "accident", before the second premium payment which Kruger as the applicant on behalf of the 13 "employees" was required to honour.

Life Officers Association's executive director Julie Wessels said the judgment had no far-reaching implications for the life assurance industry.

He said the two men's case could have been strengthened by insufficient evidence by the prosecution which led to their acquittal on murder charges.

According to Wessels, Sanlam would have to prove to the court that the men's dealings had been illegal if it hoped to overturn last week's ruling.

"If Sanlam refuses to pay the men can sue the company," he said.

There was nothing remaining of the kombi after it crashed in flames.

"The judgment is outrageous and induces a sense of shock in that the finding is inconsistent with the facts," said ANC's legal adviser Mathew Phosa.

He said the judge had "misdirected himself" and justice was not done.

Pan Africanist Congress executive committee member Benny Ntoele said the judgment came as no surprise because of racism permeating South African society.

Publicity secretary of the Azanian Peoples Organisation, Dr Gomolemo Mokae, described the judgment as "mystifying".

Financial rand to go 'within four years'

CT 29/6/93 (58)

From GRETA STEYN

JOHANNESBURG. — Reserve Bank Governor Chris Stals yesterday set a time frame of four years for abolishing the financial rand and pledged an early start to dismantling foreign exchange controls once the political situation had stabilised.

Stals, in Brussels to address a conference on the EC and SA, expressed hope that SA could start getting rid of controls "in the near future as the political reform process makes further progress".

He told the conference — organised by the SA Foundation and Forum Europe — that it was hoped that further progress in easing political tensions make it possible at least to begin to phase out some of these controls.

Reuter reports he told a news conference he hoped SA's two-tier currency system would end within about four years. "As soon as we have enough confidence that the political situation has stabilised, we will do our best to get rid of the financial rand system," he said. "I can't see this happening in the next six months, but I can certainly see it happening within the next three or four years."

Addressing conference delegates, he said for SA financial markets to be reintegrated in a truly competitive international environment "will require an early dismantling of at least some of the existing exchange control restrictions". The step would require an end to the continuous net capital outflows and some replenishment of SA's official foreign reserves.

"It will hopefully be possible to achieve these objectives in the near future as the poltical reform process makes further progress," Stals said.

A major deficiency of the macroeconomic environment in which SA financial institutions and markets still operate was the remaining rather extensive exchange control system. Stals pointed out that this was introduced mainly to protect the SA balance of payments against the adverse effects of non-economically motivated capital flight.

He said a gradual approach might be needed to phase out the investment currency, "but the markets will tell us when the time is right to abolish the finrand".

Earlier this year, ANC economics head Trevor Manuel supported the abolition of exchange controls in principle but did not put a time frame implementing a policy decision. Economists aligned with the ANC are, however, divided over the speed with which government should move.

The finrand weakened yesterday, to R4,7350 from a weekend close of R4,6950 as news of the right-wing disruption of multiparty talks dampened sentiment.

● Speaking at the same conference, Private Enterprise Minister Dawie de Villiers yesterday urged the European Community to give preferential access to South African goods.

"All we ask is don't exclude or penalise us . . . we are looking for preferential trading tariffs," De Villiers said.

"It's in the interests of the EC to assist Southern Africa in its economic recovery . . . we could serve as an economic generator for the region, but we need markets".

SA has in recent months launched diplomatic initiatives to strengthen its relations with the EC. One option would be to link itself to the EC via the Lome Convention, which groups together African, Caribbean and Pacific countries. These nations get aid and preferential trade tariffs. But to belong, SA would have to downgrade its status from a developed nation to a developing country.

Money supply growth droops

(58) CT 29/6/93

Own Correspondent

JOHANNESBURG. — Money supply growth continues to languish well below the Reserve Bank's targets, reflecting a sharp slowdown in credit demand and balance of payments problems as the economy struggles to move out of recession.

Bank figures released yesterday showed the annual rate of growth in M3 — the broad measure of money — was 3,72% in May after 3,42% in April. In the first three months of the year, M3 was still growing at an annual rate of more than 5%.

Economists said the figures confirmed that domestic factors were in place for a cut in Bank rate, but pressure on the foreign exchange reserves meant the reduction would have to be put off at least until the final quarter.

The release showed a massive R3,8bn contraction in credit extended to the private sector in April from March, pushing the annual growth rate in credit to the private sector down to 5,94% from 8,77% in March. Absa economist Adam Jacobs said the sharp fall could reflect a trend towards settling of debt in a climate of uncertainty, and a cutback in credit spending after the April increase in VAT. Bankers said the unusually high decline could also reflect a move off balance sheet by banks.

The Bank has set a target for growth in M3 for the year of 6%-9%, but if the present trends continue until the end of the year, there will be no growth in the stock of money. The Bank's release showed that the annualised change from the base of the current target year was -1,56%.

Cosab appoints ex-Absa man

SHARON WOOD

RETIRED Absa chairman and deputy CE Piet Liebenberg had been appointed CE of the Council of Southern African Bankers (Cosab), the umbrella organisation announced yesterday. BIDay

The new appointment will be effective from July 1 1993. 29/6/93

Cosab has been without a CE since former JSE president and Absa Merchant Bank chairman Tony Norton resigned four months ago. (58)

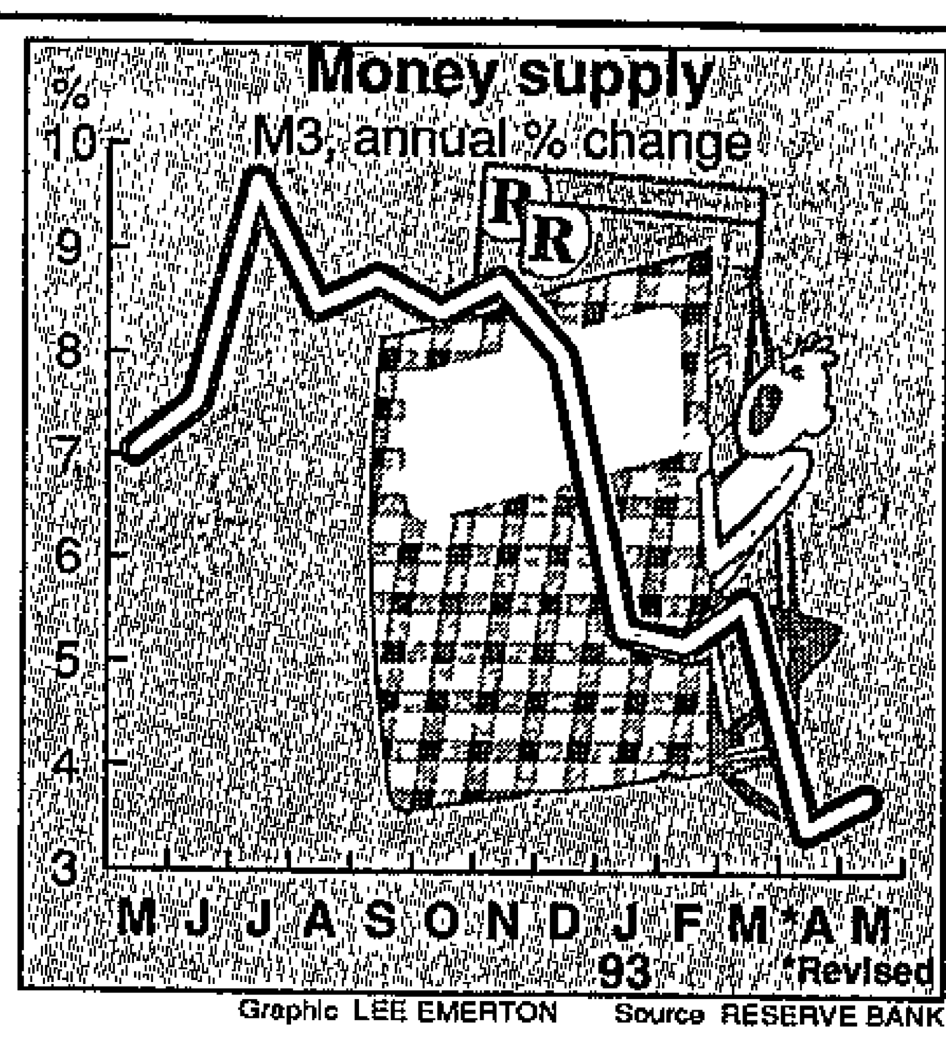
Liebenberg said he had decided to take up the post because, as an original signatory to the articles of association of Cosab, he believed it was a "necessary" body.

He initially turned down the post when approached in March, but changed his mind to accept the offer a few weeks ago.

Cosab chairman Chris Liebenberg welcomed the appointment. "Piet's exposure to different fields of banking and his knowledge of the SA economy will stand Cosab in good stead, particularly in these times when both our country and the financial services industry are undergoing radical transformation," he said.

Piet Liebenberg said he would retain his position as non-executive chairman of Bibliathon 1994. He became involved in the Bible Society project after he took early retirement from Absa in November last year.

Cosab was set up last year to promote the interests of the banking industry. It has been involved in the home loan crisis with the SA National Civic Association and with investigating the feasibility of setting up a community bank in SA. It also liaises with the Reserve Bank on behalf of the banking industry.



Graphic LEE EMERTON Source RESERVE BANK

Slow growth in money supply

BDay 29/6/93

GRETA STEYN

(58)

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☐ To Page 2

Money supply

BDay 29/6/93 (58)

☐ From Page 1

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Jacobs said the sluggish money supply growth also reflected the effect of capital outflows on the stock of money. The indicator did not point unambiguously towards an immediate cut in Bank rate. The BoP problems would have to abate and the earliest opportunity for a cut would probably be October. "But I would not be surprised if it did not happen at all this year, as the Bank has to remain cautious."

Star 2/9/6/93

Informal sector gains recognition

THERE is a thriving "informal sector" in real estate and one example of it is the changing of hands of small pockets of "tribal" land — usually without official legal documentation.

While land is relatively cheap, with thousands of such transactions, the sector represents a substantial sum

Among the new issues that the new executive of the institute of Estate Agents will look at, is "empowering" informal property practitioners in this sector with basic training. (15348)

According to Roy Leigh, chairman of the Institute's Southern Transvaal branch, education is one of the hot topics on the agenda and is one of a number of new plans under discussion.

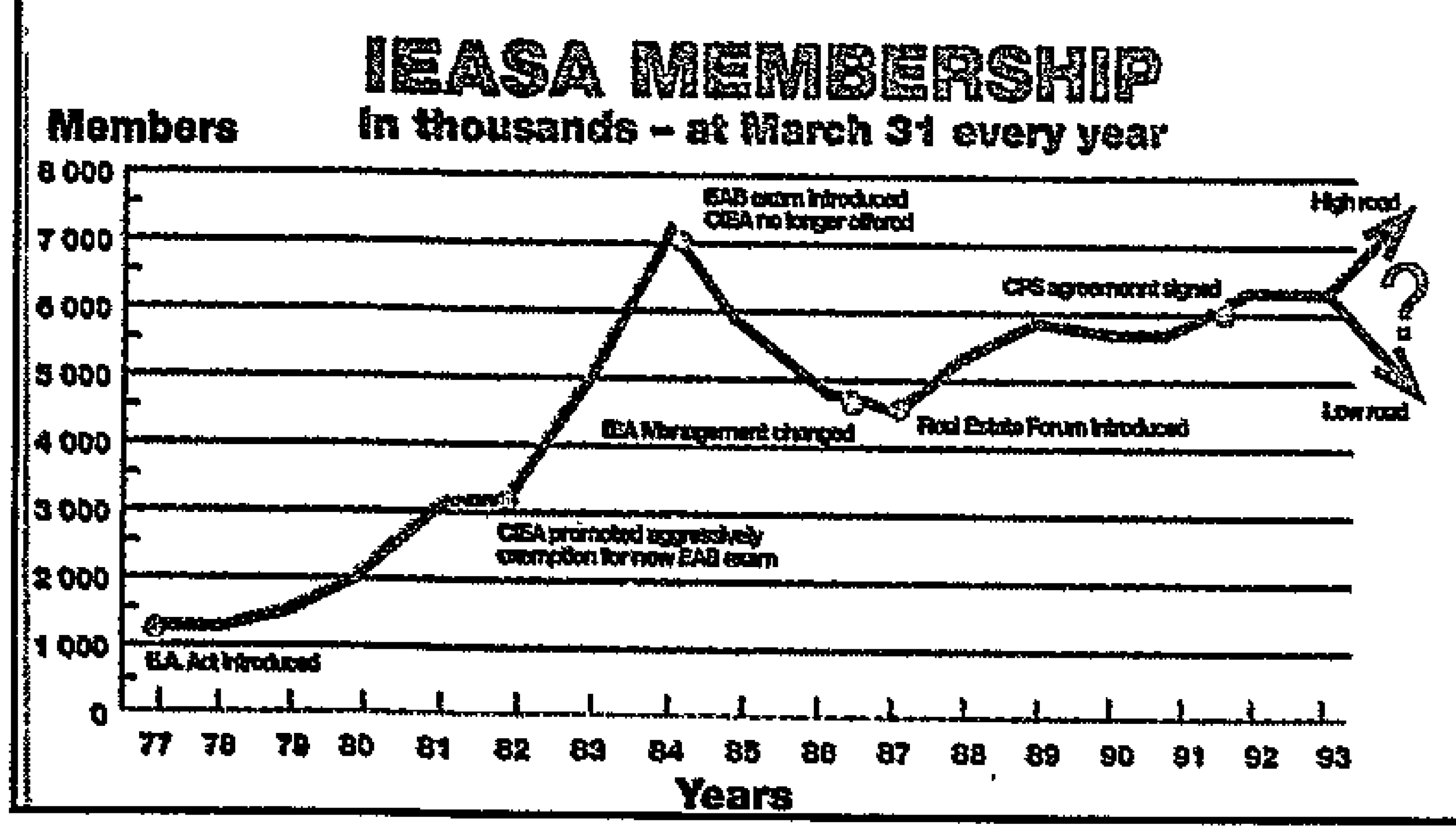
"There is broad consensus that agents must be seen to be competent in the field in which they purport to specialise. The opportunity is there for the Institute to make education available on a broader level. (58)

"The Institute may look at obtaining sponsorship from financial institutions so that these courses could be subsidised, or even free in some cases."

Most sales transacted by IEASA agents

Star 29/6/93.

MEMBERSHIP CLOUT:
IEASA's 6 000 members are responsible for 75 percent of house sales transacted in South Africa, proving that the organisation is representative of the "active" industry.



Year	No. of mems	No. of mems up/down
77	1170	
78	1287	117
79	1546	259
80	2073	527
81	3107	1034
82	3290	183
83	4900	1610
84	7200	2300
85	5703	-1497
86	4900	-803
87	4511	-389
88	5349	838
89	5887	538
90	5754	-133
91	5784	30
92	6334	550
93	6367	33

Officially audited . . . Institute of Estate Agents of SA figures shown above were supplied by the IEASA head office.

HOW representative is the Institute of Estate Agents of SA (IEASA) of the national body of estate agents?

This is a question often asked when the IEASA presents its views on behalf of agents.

The statistic best referred to for the answer is that about 75 percent of all house sales transacted go through estate agents who are members of IEASA, making it certainly representative of the "active" industry.

"There are more than 30 000 registered estate agents in South Africa but thousands of them are "dormant", meaning they don't practice on a regular basis but keep up their registration.

Thousands more are one-man operations active only on a very small scale," explains Jan van der Merwe, executive director of IEASA.

"Our membership, at just over 6 000, may sound like a small proportion of the industry, but in fact it represents the lion's share of the most active estate agents. There is certainly room for growth though and our next short term membership target is 10 000.

"In fact, 400 new members signed up over the last two months, indicating renewed interest, and meaning that funds are once again flowing into the Institute.

"Is the Institute at the base of an upward wave in popularity among agents right now? Quite possibly if we take the comments of Ronald Ennik, National Marketing and Sales Director, Pam Golding Properties into account.

"The recent actions of the Estate Agents Board has left a niche that the Institute can step in and fill. The industry wants and needs a stronger representative body. The Institute needs to be that, and the industry can rise to it. We will give it full support to achieve that.

"I am very much in favour of the new executive committee appointed to run the Institute and the new structure they have set in place. If they can come up with innovative ways of dealing with industry problems they can really take a more visible role in the industry than in the past.

"I see the EAB distancing itself from agents by its actions in dropping the obligatory writing of the Board Exam without consultation. In the past, I think the Institute has struggled to gain support and visibility because of too few issues that fell directly into its control. If the educational role can come through strongly, that will really change.

"The industry desperately needs strong intervention by the Institute in getting some sanity into an increasingly cut-throat and competitive marketplace. By drawing more members into the Institute and creating an atmosphere of greater discipline, it can play a very much needed role."

58

The Institute of Estate Agents of SA

MIEA

The Institute of Estate Agents of SA is the agent's source of latest information, interpretation of legislation, education and training. The Institute is moving to meet change and assist estate agents to serve the homeowner. Susan Ramwell reports. Advertising consultant David McCann

A Star advertising survey

'Strong, single body' best option – McCrae

Star 29/6/93

"THE Institute of Estate Agents has done a great job in the past, but unless it can focus on the needs of its members and the industry in the future, its days of usefulness are numbered," warns Scott McRae, chairman of Camdon's Franchise Network.

He is clearly expressing the sentiment that brought about the big changes at the Institute of Estate Agents so recently accomplished, and which ushered in a new executive committee. The new committee is behind that view entirely and has a clear mission and mandate to bring the Institute into line with member needs.

But McRae sets himself in the camp that believes the revitalised Institute's new role can best be served by merging with the Estate Agent's Board to "create a strong, single body with a clear mission — that of responsibility for the interests of the entire real estate industry."

McRae was elaborating on comments he made in the latest issue the "The Agent", where he described the EAB's scrapping the compulsory estate agents' examination, the Board Exam, as "arrogant", "turning their backs on the industry", and deserving of "disgust". He went as far as to call for agents to resign from the EAB.

What he would in turn like to see is a "combined body, structured under good professional management, and token Government representation, to look after the interests of both consumer and agent." (58)

But McRae stressed that it should be democratically elected by the industry and neutral in its support of consumer and agent. He said there had been "unseemly rivalry" between the EAB and the Institute, arising from increasing duplication of activities, a lack of consultation, duplicated Codes of Conduct, and the fact that the EAB's Fidelity Fund was not open to public scrutiny. The Fidelity Fund is believed to amount to several millions and McRae says its size is "proof that agents are perfectly capable of policing themselves".

He said there had been few drawings from the fund and, few public claims of agent misconduct. "It is questionable whether it is necessary to maintain the expensive edifice of the EAB in its role of public watchdog.

In conclusion, McRae said only by combining the functions of the EAB and the Institute into a viable, relevant force for mutual promotion of the industry could the industry's needs be served.

Charting a new map of real estate

IEASA makes it exciting to be a member

Star 29/6/93

WITH the real estate business aflood with new legislation, a giant new segment in the market of homebuyers, land reform and rezoning proposals across the country, and changing criteria by financial institutions for mortgage lending, one could say that the real estate industry needs a new map.

One organisation that believes it is uniquely positioned to draw that map for member estate agents, assisting the homeowner to a better sale or purchase service, is the Institute of Estate Agents of South Africa (IEASA).

The Institute has a long history. Its roots go back to 1937, and over the years, as the body most representative of the national body of estate agents, it has chalked up some very important achievements.

For example, in the interest of the consumer there was the introduction in 1966 of the first Fidelity Fund to protect buyers and sellers against financial loss; the creation of the Estate Agents Act in 1976; the successful fight against the Lease of

■ **NEW LOOK:**
Change, as in so many fields of business in SA, has never been so applicable to the real estate business. The Institute of Estate Agents of SA is moving to meet change, to meet members' needs and assist agents to serve SA's new homeowners, says new IEASA president Colin Sidelsky.

Dwellings Bill in 1984 and other important legislative issues.

For agents, it has brought in the employment benefits so badly needed by a business characterised so often by the "self-employed" — pensions, provident funds, group life insurance, guidelines for income tax, a national recommended tariff structure.

Beyond that, in more tangible and commercial benefits, the Institute has established training procedure and documentation and created one of the world's most comprehensive property computer networks, the CPS. (58)

Nevertheless, the Institute, under the leadership of new president, Colin Sidelsky, has never been more mindful of the need to give a positive answers to its community on "what's in it for me?"

"It's a fair question," says Sidelsky.

"The benefits we offer, if more visible to the member agent and his customer, clearly make it worth being a member."

The need to bring the message home is necessary today because of some confusion that arose over the past two years surrounding agency's membership subscriptions.

A trial new way of calculating subscriptions temporarily lowered member's fees and was naturally welcomed, but was found to be unviable.

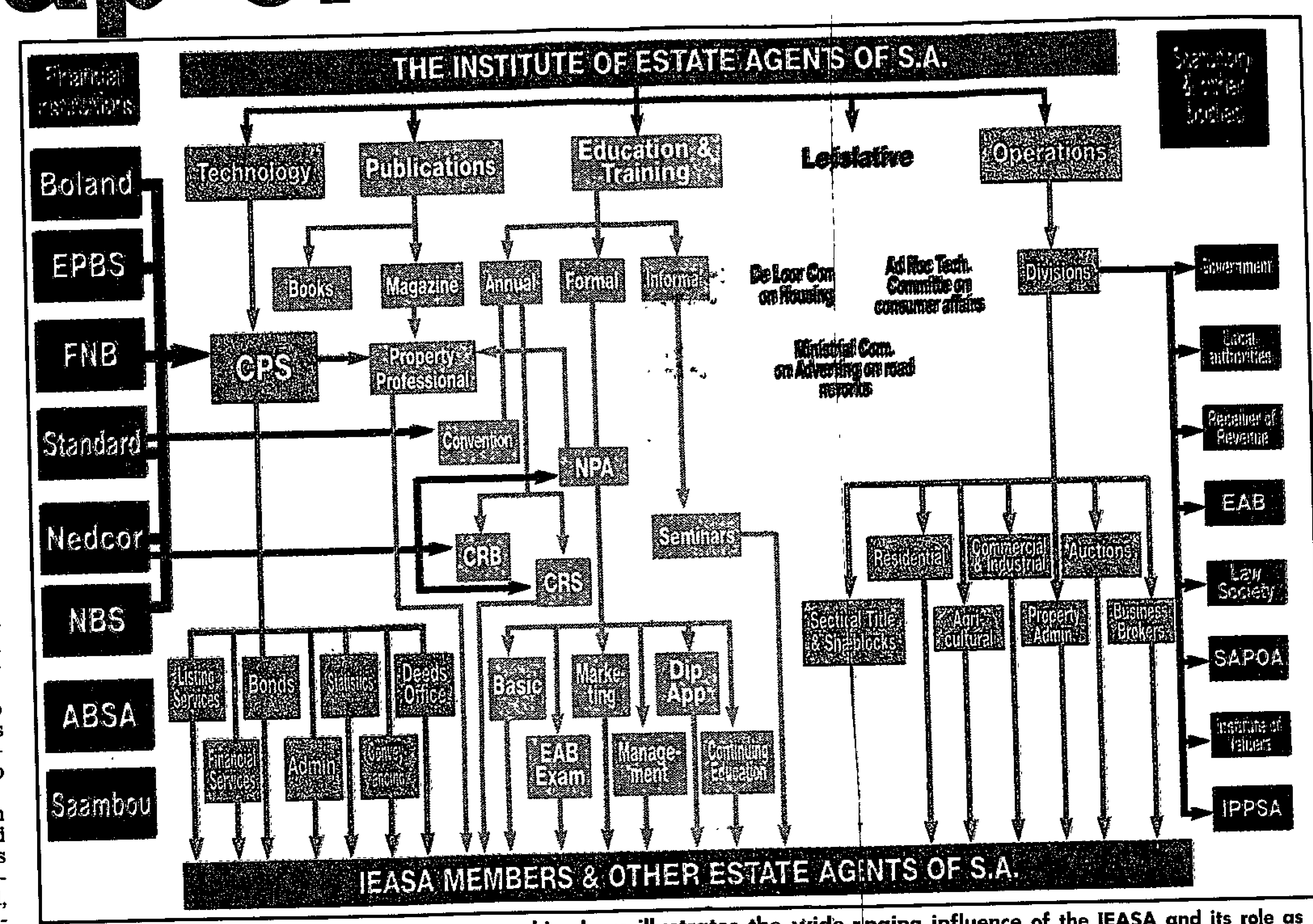
While it did help the Institute to draw in more of the national pool of agents, it did not do so sufficiently to offset the lower subscription.

Natural resistance accompanied the dropping of that trial system and reverting back to the former system.

The new-look Institute's strategic plan however, is to "make it very exciting to be a member" with a host of new benefits. Among them – more seminars on political change and how they affect property legislation.

Another — a platform to help agents move into broader areas of operation than residential — as they recognised a need to "overlap".

The Institute would broaden its field of operation to extend from residential into areas such as commercial and industrial property, agricultural, auctioneering, property administration and sectional title management.



Serving the homeowner . . . the structure graphic above illustrates the wide-ranging influence of the IEASA and its role as central player in the real estate network.

Here are 20 reasons why you should deal with an IEASA member

WHY should members of the public wishing to sell or buy a home give preference to an estate agent who is a member of the Institute of Estate Agents of SA?

IEASA executive director Jan van der Merwe says that members instil more confidence because of superior training and knowledge, provide a wider range of services, and the seller or buyer will enjoy more security than with a non-member agent.

Among the additional services that IEASA members offer, are an objective comparative market analysis (CMA), or for a prospective buyer, a feasibility study.

Services to Sellers:

- ☐ marketing expertise
- ☐ good preparation
- ☐ broad-based exposure to many areas
- ☐ buyers waiting
- ☐ constant exposure
- ☐ effective advertising and signage
- ☐ professional showmanship
- ☐ good follow-up
- ☐ effective qualification of the buyer
- ☐ diplomacy in handling impatience
- ☐ legal knowledge and IEASA back-up on legal updates
- ☐ use of recommended tariffs for commission

Services to Buyers:

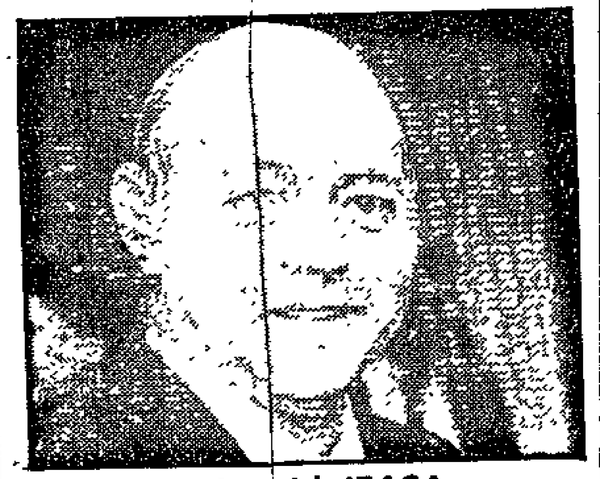
- ☐ specialised local knowledge
- ☐ town planning information
- ☐ financial skill and ability to raise finance
- ☐ a varied selection of properties
- ☐ guarantee of buyers' deposit through Trust Accounts
- ☐ recourse to Ethical Standards Committee
- ☐ operation from registered premises
- ☐ EASA members will warn of pitfalls

On the last point, IEASA president Colin Sidelsky says: "Much as an estate agent will always enjoy closing a deal, any sale that is lost through being honest will often end up coming back to you. An agent must act in good faith.

"That means not overstating the potential price a house could fetch in the market just to attract the seller.

"College salesmanship may say that image is all important. I say that the major issues is to command the respect of all the parties to the contract.

"One must have credibility and the parties must believe in you. An astute agent uses an objective comparative market analysis to discuss price with a prospective seller."



More security with IEASA . . . says executive director Jan ven der Merwe.

Role of Institute vital to industry

Star 29/6/93

"THE Institute provides a very important platform for the industry, particularly as the only body of stature that can represent the industry to Government and local authorities," says Dave Miller, director, Realty 1 Elk. (58)

"Its role is important, even vital. No industry can exist without an official body. Members must learn how to take best advantage of existing Institute benefits, which are many, in education, in employment benefits, and in terms of information.

"For example, through its international link with the US National Association of Realtors, the Institute offices can make more than 40 000 publications available to SA estate agents.

"As I speak, Basil Elk is busy with real estate educators visiting here from the US with whom we are, in association with the Institute, setting up two new training programmes for the industry — the Certified Real Estate Specialist, and a programme for training trainers.

"A small example of the Institute's active role representing the industry to Government in progress now is our representation on a Government committee to look into signage and boards.

"The Institute Library stocks a huge range of educational tapes and books, including material from the US and other markets which are a rich source of education to estate agents.

"Say someone is just starting out with an estate agency business. The institute provides him with a complete set of forms that will help him on his way. This is the sort of service that only the Institute can provide.

"The Institute was also the prime mover in establishing professional education and making this widely accessible.

"There are many other areas of benefit to members — continuous seminars on legal updates and then the whole personal area of benefits in insurance and group pension for variable income, and so on.

"So, in short, I believe the Institute will continue to play its vital role and under its new executive, should enter a particularly strong period of leadership," concludes Miller.

Maintaining global links

Star 29/6/93

THROUGH membership of the Institute of Estate Agents of SA (IEASA), member agents are linked to global property transactions.

This comes through IEASA's affiliation with International Real Estate Federations, FIABCI.

Both on the commercial property front, and in residential, particularly in coastal areas, there has been growing international interest in purchasing property in South Africa.

Among IEASA member agents which have been most active in this area is Pam Golding Properties. (58)

"As the voice of real estate in South Africa, the role that the Institute wants to play, and we believe, can play effectively, our links with FIABCI must remain open and active," said Institute Executive Director, Jan van der Merwe.

ONCE ESTATE AGENTS

INTRODUCING ABSA PROPERTY COMPUTER SYSTEM, THE FIRST AND

Way NPA ... shape ...

Opinion divided on role of two

Star 29/6/93

THE Institute of Estate Agents, a voluntary association of estate agents, actively created a mandatory, legally established body for accreditation of agents 17 years ago — the Estate Agents Board (EAB).

The Institute had established a Code of Ethics that governed member agents but this required the "teeth" of a statutory body to which all practising agents had to belong to.

So the Estate Agents Board became an additional anchor in the Institute's goals to maintain fair and honourable ethics in the industry.

The EAB enforces discipline, sets ethical standards and operates a fidelity fund. It is illegal for an estate agent to operate without a fidelity fund certificate and registration with the Estate Agents Board.

In the past, estate agents had to write the EAB Exam before they could run their own agency. This is no longer the major requirement and without it, agents can operate.

Eskel Jawitz, EAB chairman, says: "This gives a golden opportunity to other professional bodies to grasp the initiative in the field of training and skills development."

There is frequent confusion between these two organisations. In fact, while they were conceived to have two distinct roles — the Board to "police" agents and balance their rights with those of consumers, the Institute to be the "Voice of the Real Estate Industry" — a forum for ideas.

Today, there remain two "camps" in the industry, one for keeping these bodies separate, another for merging.

IEASA president, Colin Sidelsky, believes both bodies have important roles if they remain independent of one another, and make more effort not to duplicate activities.

Sidelsky would like to see the Institute become more solely the centre of control for education and training of agents. There is an opening for the Institute to take more action in the educational field — for both agent and public.

"It is not only the Board's role to protect the consumer. As an Institute we stand for the principle of consumer protection. That means educating the public. And it means we need to set up new educational facilities." (58)

By this, Sidelsky means additional facilities than are currently offered by the National Property Academy (NPA), set up by the Institute in association with the Perm.

The NPA is the country's major centre for estate agency training. It has trained about two thirds of the country's more than 30 000 agents.

Watchdog

The IEASA does in fact have accreditation as a training institute by the Department of Manpower. It introduced the country's first government recognised education course, leading to the CIEA designation. It also runs the Diploma in Advanced Property Practice — Dip (App) which is the industry's highest qualification.

IEASA also offers the CRS (SA) — Certificate of the Residential Specialist as well as an internationally recognised certificate, the CRB or certificate of the Real Estate Broker.

According to CPS's Avon Reyneke writing in The Property Professional, both IEASA and the Estate Agents Board must be seen as striving towards the same goals — "a stable, well-organised professional estate agency fraternity, ready to service the growing home owner community of South Africa."

In differentiating the two, Reyneke says: "The one is a watchdog while the other (the Institute), builds something to watch over."

010

INSTITUTE OF ESTATE AGENTS OF SA

An innovator takes reins of leadership

Star 29/6/93

(58)

IF ever the real estate industry needed an innovator it is now.

With estate agents confessing that the economic climate has brought out their worst; with the ripples of concern caused by rumours of a major financial deficit looming for the Institute at year-end and of urgent borrowings that might be required, urgent intervention seemed essential.

A new executive committee stepped into the gap. And to the man elected its new president, Colin Sidelsky, with experience in creating thriving businesses from next to nothing, it was the sort of challenge he accepts as part of a day's work.

One of his first press statements concerned the Institute's finances. Far from being a major issue, in Sidelsky's hands it became a temporary cash flow problem with a clear future solution — like any good businessman, he recognised the answer lay in getting prices right.

The problem had been created by the Institute's reduction of its membership fees. Once brought back into line, when combined with other sources of income, it seems that Institute cash flow has improved. The fact that 400 new members signed up in the past eight weeks has brought a fresh inflow of income and is at least, a positive sign.

Next came getting down to the business of making the Institute relevant, powerful, and in gear for a changing South Africa and a dynamic real estate industry.

The new executive decided to give branches and divisions more autonomy to enable them to operate in terms of local needs and conditions, and in consultation with stakeholders in their areas.

The new strategic plan was to enhance the Institute's services, re-assess its roles, member needs, and to move to fill the gaps.

As MD of the Rand Realty Group, Sidelsky earns himself the reputation of innovation from a very colourful career.

Writer Jo Prince writes that not only is Sidelsky well qualified both academically and in terms of experience in many fields of the property industry, but he's squeezed in a lot of entrepreneurship, from "dabbling" on the JSE at a young age, to having run an antique shop called Shopkela in Rockey Street, Yeoville, and a disco close to Alexandra.

Combine that with roles such as head of IEASA's auctioneering and property administration committees, membership of SA Institute of Valuers, SAPOA, the Urban Land Institute, and Institute of Property Practitioners of SA, as well as a training role in running seminars on auctioneering.

Clearly, one is meeting an individual who is bound to look at the real estate industry in a way entirely his own. When asked to take over the Institute, Sidelsky hesitated long enough to register surprise then welcomed the challenge to run it according to his own principles — ones that have worked for him in business in setting up companies such as Rand Realty Estate Agents and Auctioneers, later incorporating Rand Realty Brokers then other companies within the group operating in security, cleaning, investment and renovations.

His three key principles in business, he says, are maintaining good ethical and moral standards running at a fair profit to client and company; and thirdly, having fun. Sidelsky is extending an invitation to estate agents to write to him at the Institute to express ideas about what they'd like from the Institute.

"The Institute tends to be viewed as an old established body that hasn't done much. In fact, it's done a lot, such as establishing the Estate Agents Act and the Code of Conduct.

"But my message to agents is we can do a lot more. And through that, we'll be bringing the highest standards to the public. "We can educate and inform, hold seminars and legal updates, and of course, the information will be of an exceptionally high standard on most aspects of property."

At the time of going to Press unprecedented levels of round table discussions between leaders in the real estate industry were reported to be stirring up some very interesting changes — among them recognition and training of informal sector agents.

Talks at top level are being held with players across the spectrum in the forthcoming election ... there are winds of change in deed.

■ **AT THE HELM:** Colin Sidelsky stepped into leadership of the IEASA at a time when the estate agency industry hit a serious crisis. Known for his ability to create thriving businesses from nothing, Sidelsky has re-assessed the role of the organisation and its member needs, and has moved to fill the gaps.

Anglo aims for top spot in copper league

Star 29/6/93

LONDON — Anglo American Corporation, best known for its gold and diamond operations, is laying the groundwork for a huge copper business in South America that will place its subsidiary in the region among the world's leading producers.

The group also has the right of first refusal when Zambia privatises its copper business, Zambia Consolidated Copper Mines, scheduled to go ahead by 1998.

If all goes to plan, Anglo would jump from about fifth place among the world's leading copper producers possibly to challenge Codelco in Chile, which currently leads the field with annual output of more than 1 million tons.

Anglo has been focusing attention primarily on its South American projects in presentations to analysts and institutions in South Africa and Europe.

Flotation

The group's interests in the region are held by Anglo American Corporation of South America (Amsa), a 50 percent owned mining, finance and industrial company that Julian Ogilvie Thompson, Anglo's chairman, describes as a mini-Anglo in South America.

He says the stock market flotation of Amsa is a possibility when its development projects are more advanced.

In Chile, Amsa's most important interest is a 75 percent stake in Mantos Blancos, which is already producing about 78 000 tons of copper a year.

Mantos Blancos is embarking on four projects in Chile and Peru which

Anglo American Corporation is switching its sights from gold and diamonds to copper. Kenneth Gooding of the Financial Times reports on the group's expansion plans, focused mainly on South America.

will cost $442 million.

Some $85 million will go to expand open pit copper output at Santa Barbara in Chile from 30 000 tons a year to between 35 000 and 40 000 tons.

Another $56 million may be spent on installing a modern solvent extraction-electro winning processing plant at Santa Barbara.

A second feasibility study is close to completion for the Mantoverde copper project in Chile, which is expected to produce 37 000 tons of open pit copper a year and cost $150 million.

Mantos Blancos recently paid $12 million for the Quellaveco copper deposit in southern Peru, in which about 24 million tons of copper has been identified. Mantos Blancos and Anglo's subsidiary Minorco also recently bought between them one-third of the Collahuasi copper project in Chile from Chevron for $190 million.

Dave Deuchar, Anglo's chief metallurgist, says Collahuasi will become one of the world's great copper mines. Production is likely to start in 1998 and reach about 300 000 tons a year.

The Royal Dutch/Shell group owns another third of Collahuasi but is at present considering an offer for most of its metals and mining assets from Gencor of South Africa.

In Brazil, Ams[a's] interests are held larg[ely] in association with [the] Bozano Simonsen gro[up] through Minerac[ão] Morro Velho which [has] mines that last year p[ro]duced about 12 tons [of] gold.

Morro Velho recent[ly] won a tussle with R[TZ] Corporation of the U[K] for a stake in a wor[ld] class copper deposit [at] Salobo in the Carajas [re]gion of the Amazo[n] owned by Compan[hia] Vale do Rio Doce, Br[a]zil's biggest state-co[n]trolled mining group.

The project is expe[ct]ed to cost $750 million.

60 pc stake

Meanwhile, Ogilv[ie] Thompson says Angl[o] has first refusal rights o[n] the Zambian govern[]ment's 60 percent stak[e] in ZCCM. "We are ge[t]ting on well with the ne[w] management and woul[d] buy the government in[]terest on the right term[s] and conditions."

Anglo already own[s] 27,3 percent of the Zam[]bian copper producer. The rest of the share[s] are in public hands.

ZCCM has also bee[n] talking to analysts i[n] London and says it need[s] $2 billion over the nex[t] 15 years to keep produc[]tion from falling any fur[]ther.

Larry Hanschar, ZCCM's consultant metallurgist, says, however, that a big chunk is needed almost immediately.

He says ZCCM is ready to go ahead with financing for the $600 million Konkola deep mine project where it has an estimated 344 million tons of ore containing 3,8 percent copper. — Financial Times.

Decline in base metals may be over

Malaysia set to drop sanctions against SA

Star 29/6/93

Business Staff writer John Soderlund reports from Kuala Lumpur

Malaysian sanctions against South Afrcan are within weeks of being lifted, according to a reliable source in Kuala Lumpur.

The key is the establishment of a transitional executive council.

Malaysia, described by the source as "one of the last hardcore sanction campaigners against SA", is already encouraging its business sector to visit the country to identify potential opportunities so that they are ready when sanctions are officially lifted.

Attitude

This softening attitude was even more obvious when members of a South African Foreign Trade Organisation (Safto) trade mission sat across the table from 10 representatives of the Malaysian Industrial Development Authority (HIDA).

"That alone marks a distinct change of policy," said a Safto spokesman.

Unofficial trade between the two countries has been happening throughout sanctions. But the extent is not clear.

Most trades are through Singapore (a free port), where goods are repacked and forwarded.

South African officials say the level of trade in imports from Malaysia was R496 million last year. Malaysia statistics are considerably lower, putting it at R412 million.

Potential

Nonetheless, the government source says considerable potential for vigorous two-way trade in the future.

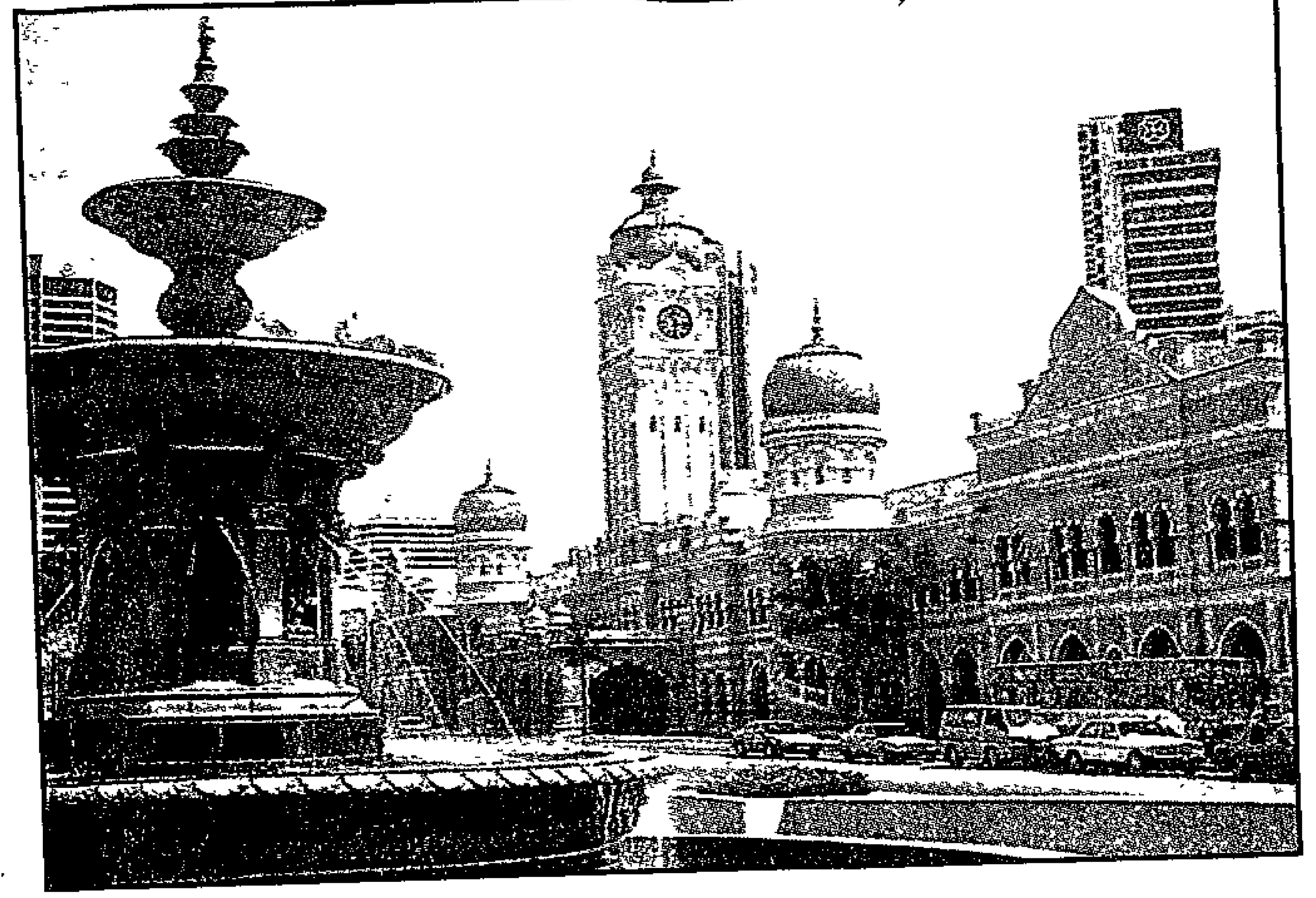
"Already, the re-establishment of air links and tourist trade between the countries has begun."

South African export figures to Malaysia have been boosted to R325 for 1992.

Both economies are very complementary.

"We are looking to increase our exports of manufactured goods and South Africa is the ideal country because of its current economic conditions," he says.

As regards exports from South Africa, vegetables, fruit, tobacco, animal feeds and many commodities would be required by Malaysia.



Malaysia's capital Kuala Lumpur could soon be a target for South African businessmen as trade barriers begin to fall.

Malaysia imposed sanctions against South Africa in 1964 and currently maintains them against only one other country — Israel

Perhaps their hardline attitude has to do with their own vigorous economic restructuring which began in ernest in 1970.

The National Development Plan (NDP) was designed to eradicate poverty and restructure the imbalance in the economic conditions of the Malays or "Buhiputera" (55 percent of the population) and the Chinese.

The Malays were poorer and less economically active and this affirmative action aimed to bring everybody out of the dire poverty bracket without sacrificing economic growth in the process.

To all accounts it worked.

Under the First Overall Perspective Plan (OPP1), an average growth rat of 6,7 percent a year annum was maintained between 1970 and 1990.

The proportion of people living below the poverty line decreased from 49,3 to 15 percent and average monthly incomes grew by a real 3,1 percent a year.

Growth targets

Share ownership by Buhiputera increased from 2,4 to 20,3 percent.

OPP2 is now under way, spanning the years 1990 to 2000, and already ambitious growth targets (particularly in the manufacturing sector) have been comfortably exceeded.

A model for South Africa?

Perhaps the OPP programmes are not that readily transferable given that they are based on the following principles, as described by the OPP mission statement:

A belief in God.

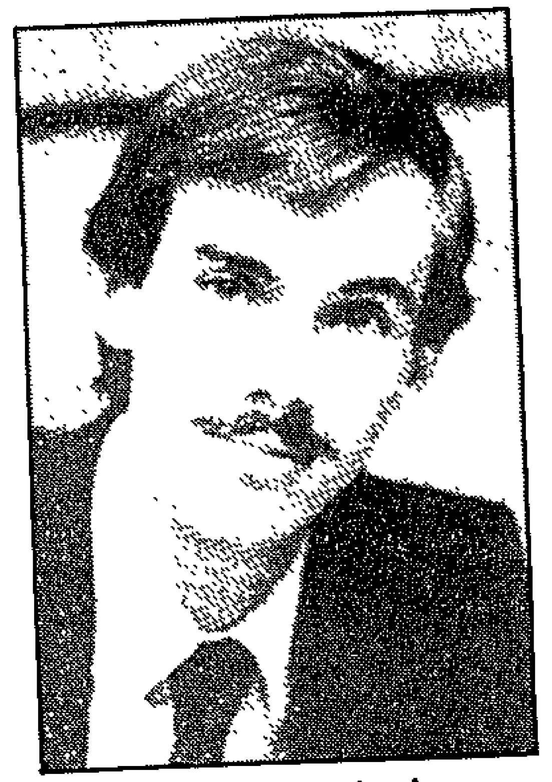
Loyalty to king and country.

Upholding the constitution.

The rule of law.

Good behaviour and morality.

Computerised network rockets real estate into electronic era



In touch through technology . . . CPS MD Stefan Swanepoel.

THE Institute of Estate Agents has in principle supported the establishment of a national, computerised property information network by an organisation called CPS, Comprehensive Property Services.

In reply to the negative responses to the Institute's support for CPS, Stefan Swanepoel, CPS MD, said: "Why should the Institute break with one of its largest services and the benefits it offers? Why should it lose the control and influence it has over the growth of technology in the real estate industry. The only losing party would be the industry itself."

For the sake of independence and objectivity, the exact nature of the relationship between the Institute as a body, and CPS as a commercial venture, is still a matter under discussion, but in principle, the Institute views CPS's service as important.

Jenny Ludwig of CPS says: "The organisation's vision is to co-ordinate the computerisation process of all facets of the property industry in southern Africa into one national independent network and database. This would provide participants in buying, selling, financing and conveyancing of property the facility to interact electronically. It will result in a more professional, time-efficient and cost-effective service to the benefit of the property industry and the general public."

There is no doubt that services such as this, and other "networked" estate agency services or groupings such as Multi-Listing Services (MLS) APCS and RNS are to the benefit of the public in terms of cost reduction and enhanced information.

The debate seems to be more within the industry. The trend is perhaps towards a new level of segmentation within the estate agency industry. It seems clear that the industry cannot afford to hold back on progress.

Swanepoel suggests "The Institute should be the catalyst to bring CPS and APCS together and perhaps combine homefinders countrywide."

The bodies co-operating to form CPS include estate agencies, six of the major financial institutions, deeds offices countrywide, valuers, local authorities, and conveyancing attorneys. The system assists consumers to buy, sell, finance and transfer property.

Within two years, CPS has grown into a fully fledged network with over 21 service modules on offer. It was the first network to provide electronic bond applications to most of the major financial institutions. It also led the way in permitting estate agencies different types of listing such as personal; office; geographical group (multi-listing); or an agency nationally. It categorises homes into 155 groups, assisting buyers in locating a listing of exactly the type of property that suits them in a very short time.

It offers a comparative market analysis facility (very important in terms of the new Estate Agents Act to be promulgated). It also provides direct access to the deeds offices.

Swanepoel says that in the US where 90 percent of estate agents are computerised, consumers view the non-computerised agents as "out of touch".

CPS's view is that agents need to enter a new era in which computerisation is the name of the game. To that end, the organisation has established three training centres around the country in association with the National Property Academy (NPA). CPS sees the Institute and the NPA as important partners in a vision — helping consumers, via professionally trained estate agents, to buy or sell their houses at the right price in less time.

Welcoming hand to non-racial membership

Star 20/6/93

WHEN a "status quo" needs to change, it's cheering to meet "institutions" that are not only happy to change it but have been actively working for progress for years.

To the Institute of Estate Agents of SA, (IEASA) it is the reward of years of backbench lobbying that sees homeownership for all race groups increasingly becoming a reality, and with it, an emergent new group of estate agents coming from all sectors of the population.

"We have led the fight for the right for everyone to own his own home. The Institute's Policy Statement has proclaimed this for many years and its membership has always been multi-racial," says executive director of IEASA, Jan van der Merwe.

"As part of our extended programmes in seminars and discussion groups, we will be making a special effort to draw in our black members and look at issues that specifically affect them."

Active call

58

IEASA president Colin Sidelsky stresses the importance of actually "appealing to members across the racial spectrum" and says the Institute is making an active call to black and coloured agents who may not have considered membership in the past, to contact the Institute and join.

The benefits include networking, education, information, and tangible employment benefits such as membership of group insurance and pension fund schemes.

The need to stress this comes, believes Sidelsky, from an outdated and certainly no longer practiced "exclusive" policy of the Institute in years gone by of only encouraging the largest agencies to join the Institute rather than one man operators.

An agent requesting membership used to have to be "referred", "approved" and to write some kind of an entrance examination. This is no longer the case.

"We are campaigning now to extend our membership to all agents prepared to be bound by our Code of Ethics and join in our aims and we'd like to see membership boost from 6 000 to at least 10 000 within 12 months."

[illegible] base metal prices have slumped 52 percent since their peak in 1989 but the decline may now be over as producers are likely to cut output if they fall any further, says broker Rudolf Wolff and Co.

World metal markets soared on strong economic growth in the late 1980s but have declined steadily ever since on slowing demand, excess production and a relentless build-up of stocks.

Inventories on the London Metal Exchange now stand at a record 3,42 million tons.

Bottoming out

William Adams of Wolff, the biggest broker on the London Metal Exchange, says: "We feel the base metals, en masse, are starting their bottoming out phase.

"Further increases in stocks may trigger liquidation sell-offs, but we feel the downside is generally protected by the likelihood of further production cutbacks."

Industry sources say hard-pressed European zinc producers are discussing a plan to pay some of their members compensation if they close down production.

Wolff, a subsidiary of Canadian miner Noranda Inc, says the outlook for base metal prices in the next 12 months is dependent on global economic growth, output and the level of exports from the former Soviet Union.

Rapidly developing economies will become an increasingly important factor in the market. — Sapa-Reuter.

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	137 971	[illegible]	[illegible]
Income from investments	3 675	2 638	2 701
Net income before taxation	141 646	124 065	187 487
Taxation	(64 307)	(57 313)	(85 440)
Net income after taxation	77 339	66 752	102 047
Associates share of retained income and dividend income	59 330	64 126	41 597
	136 669	130 878	143 644
Net income attributable to outside shareholders	(42 703)	(41 208)	(53 974)
Net income attributable to ordinary shareholders	93 966	89 670	89 670
Extraordinary items	5 585	(2 534)	(2 534)
Earning per share - cents	220	213	213
Dividend per ordinary share - cents			
- Interim	15,00	15,00	15,00
- Final	40,00	40,00	40,00
- Total	55,00	55,00	55,00
Dividend cover	3,9	3,8	3,8
Weighted average number of shares in issue	42 805 204	42 044 361	42 044 361
	R000	R000	R000
Capital expenditure for the year	55 021	61 467	108 936
Commitments for capital expenditure	70 459	47 997	54 444
Finance lease commitments	988	3 433	3 575
Contingent liabilities	15 674	14 888	31 838

Deduct: Premium on acquisition of subsidiary companies	29 267	13 329	15 583
Ordinary shareholders' interest	426 728	378 666	370 058
Outside shareholders' interest in subsidiary companies	156 822	166 160	247 472
Long term liabilities	35 717	32 678	52 934
Deferred taxation	13 562	18 293	38 344
	632 829	595 797	708 808
Employment of capital			
Fixed assets	243 749	213 402	320 067
Investments	366 614	351 382	286 084
Long term receivables	3 602	845	5 788
Net current assets	18 864	30 168	96 869
	632 829	595 797	708 808
Details of net current assets			
Current assets	402 463	356 237	545 865
Stocks	167 183	155 626	213 726
Accounts receivable	187 162	167 882	276 557
Taxation prepaid	175	362	362
Bank balances, deposit at call and cash	47 943	32 367	55 220
Current liabilities	383 599	326 069	448 996
Accounts payable	306 134	252 881	340 483
Taxation payable	23 152	20 239	38 704
Bank overdrafts and other current borrowings	37 012	35 928	52 788
Dividend payable	17 301	17 021	17 021
Net current assets	18 864	30 168	96 869
Net asset value per share - cents	989	894	

Change in method of accounting
The conditional entitlement of Argus Holdings Limited to appoint the majority of directors to the Afmed (Pty) Limited board has been withdrawn. This necessitated a change in the method of accounting for the Argus Group's interests in Afmed (Pty) Limited and its subsidiaries Caxton Limited and CTP Holdings Limited. In terms of the change, these interests - which were previously consolidated - are now being equity accounted.
In order to provide shareholders with a meaningful comparison, a further set of restated comparative figures has been included for the year ended March 1992 to reflect the equity accounting method for the Afmed Group in respect of both balance sheet and income statement.

Comment on results
Argus Newspapers Limited, Times Media Limited, CTP Holdings Limited
The Group's investments in the publishing sector experienced a difficult year with generally flat circulation trends and reduced advertising volumes. The closure of premium-rated telephone services impacted income from both the perspective of profits earned from such businesses and advertising income generated from the premium-rated industry.
Printing interests experienced a highly competitive market causing margins to come under pressure.

CNA Gallo Limited
Retailing and entertainment successfully weathered an environment of reduced consumer discretionary spending. Further investment in the cinema industry has now rounded the Group's position in the entertainment field.

Electronic Media Network Limited ("M-Net")
The local electronic media investments, against the economic trend, performed impressively. Further progress has been achieved in the programme toward bringing the European expansion to profitability, although this has required further capital investment.

Conclusion
Against the background of these market conditions, all companies in the Group have concentrated on improvement in efficiency of operations and cost containment.
Given the challenging circumstances, the modest 4,8% increase in the Argus Group's attributable earnings is regarded as a satisfactory performance.

Extraordinary items
Extraordinary items comprise mainly the benefits of a deferred taxation release due to the new taxation rates and surpluses arising on disposal of certain investments in subsidiary and associate companies

Financial position
The Group has attached a high premium to asset management including the realisation of non-core investments. The success of this programme is evidence by a further reduction in net Group debt which gives rise to a minimal gearing position.

Dividend
A final dividend of 40 cents per share has been declared by the Board bringing the total distribution for the year to 55 cents - unchanged from last year. Dividend cover has been marginally increased.

Prospects
The resumption of a real growth trend depends upon interwoven political and economic factors. Trading conditions in the first quarter of the new financial year have proved torrid. In the circumstances, the Group will do well to maintain earnings during the current financial year.

Unbundling
The Board has for some time been reviewing unbundling options in the Argus Group It is hoped that the legislation, which is due to be promulgated shortly, will enable the Board to formulate firm proposals.

Dividends
Declaration of Ordinary Dividend No 173
Ordinary dividend No 173 of 40 cents per share has been declared and will be paid on August 5, 1993 to ordinary shareholders registered at the close of business on July 23, 1993
Non-resident shareholders' tax of 15% will be deducted from the dividends of shareholders whose registered addresses are outside the Republic of South Africa.

By order of the board
J Sturgeon
Secretary

June 29, 1993

Registered Office:
47 Sauer Street
Johannesburg 2001
PO Box 62239
Marshalltown 2107

Transfer Secretaries:
47 Sauer Street
Johannesburg 2001
PO Box 62239
Marshalltown 2107

Secretary:
47 Sauer Street
Johannesburg

Directors: M B Hofmeyr (Chairman), D D B Band (Chief Executive), V G Bray, J G Featherstone, P W McLean, T D Moolman, H W Tyson A J E Draudsing (Alternate).

An innovator takes reins of leadership

Star 29/6/93

(58)

IF ever the real estate industry needed an innovator it is now.

With estate agents confessing that the economic climate has brought out their worst; with the ripples of concern caused by rumours of a major financial deficit looming for the Institute at year-end and of urgent borrowings that might be required, urgent intervention seemed essential.

A new executive committee stepped into the gap. And to the man elected its new president, Colin Sidelsky, with experience in creating thriving businesses from next to nothing, it was the sort of challenge he accepts as part of a day's work.

One of his first press statements concerned the Institute's finances. Far from being a major issue, in Sidelsky's hands it became a temporary cash flow problem with a clear future solution — like any good businessman, he recognised the answer lay in getting prices right.

The problem had been created by the Institute's reduction of its membership fees. Once brought back into line, when combined with other sources of income, it seems that Institute cash flow has improved. The fact that 400 new members signed up in the past eight weeks has brought a fresh inflow of income and is at least, a positive sign.

Next came getting down to the business of making the Institute relevant, powerful, and in gear for a changing South Africa and a dynamic real estate industry.

The new executive decided to give branches and divisions more autonomy to enable them to operate in terms of local needs and conditions, and in consultation with stakeholders in their areas.

■ AT THE HELM: Colin Sidelsky stepped into leadership of the IEASA at a time when the estate agency industry hit a serious crisis. Known for his ability to create thriving businesses from nothing, Sidelsky has re-assessed the role of the organisation and its member needs, and has moved to fill the gaps.

The new strategic plan was to enhance the Institute's services, re-assess its roles, member needs, and to move to fill the gaps.

As MD of the Rand Realty Group, Sidelsky earns himself the reputation of innovation from a very colourful career.

Writer Jo Prince writes that not only is Sidelsky well qualified both academically and in terms of experience in many fields of the property industry, but he's squeezed in a lot of entrepreneurship, from "dabbling" on the JSE at a young age, to having run an antique shop called Shopkela in Rockey Street, Yeoville, and a disco close to Alexandra.

Combine that with roles such as head of IEASA's auctioneering and property administration committees, membership of SA Institute of Valuers, SAPOA, the Urban Land Institute, and Institute of Property Practitioners of SA, as well as a training role in running seminars on auctioneering.

Clearly, one is meeting an individual who is bound to look at the real estate industry in a way entirely his own. When asked to take over the Institute, Sidelsky hesitated long enough to register surprise then welcomed the challenge to run it according to his own principles — ones that have worked for him in business in setting up companies such as Rand Realty Estate Agents and Auctioneers, later incorporating Rand Realty Brokers then other companies within the group operating in security, cleaning, investment and renovations.

His three key principles in business, he says, are maintaining good ethical and moral standards; running at a fair profit to client and company; and thirdly, having fun. Sidelsky is extending an invitation to estate agents to write to him at the Institute to express ideas about what they'd like from the Institute.

"The Institute tends to be viewed as an old established body that hasn't done much. In fact, it's done a lot, such as establishing the Estate Agents Act and the Code of Conduct.

"But my message to agents is we can do a lot more. And through that, we'll be bringing the highest standards to the public. "We can educate and inform, hold seminars and legal updates, and of course, the information will be of an exceptionally high standard on most aspects of property."

At the time of going to Press, unprecedented levels of round table discussions between leaders in the real estate industry were reported to be stirring up some very interesting changes — among them recognition and training of informal sector agents.

Talks at top level are being held with players across the spectrum in the forthcoming election ... there are winds of change indeed.

nt of the property industry and the general public."

There is no doubt that services such as this, and other "networked" estate agency services or groupings such as Multi-Listing perhaps combine homefinders countrywide."

The bodies co-operating to form CPS include estate agencies, six of the major financial institutions, deeds offices countrywide, va- ... the Institute and the NPA as important partners in a vision — helping consumers, via professionally trained estate agents, to buy or sell their houses at the right price in less time.

Welcoming hand to non-racial membership

Star 28/6/93

WHEN a "status quo" needs to change, it's cheering to meet "institutions" that are not only happy to change it but have been actively working for progress for years.

To the Institute of Estate Agents of SA, (IEASA) it is the reward of years of backbench lobbying that sees homeownership for all race groups increasingly becoming a reality, and with it, an emergent new group of estate agents coming from all sectors of the population.

"We have led the fight for the right for everyone to own his own home. The Institute's Policy Statement has proclaimed this for many years and its membership has always been multi-racial," says executive director of IEASA, Jan van der Merwe.

"As part of our extended programmes in seminars and discussion groups, we will be making a special effort to draw in our black members and look at issues that specifically affect them."

Active call

58

IEASA president Colin Sidelsky stresses the importance of actually "appealing to members across the racial spectrum" and says the Institute is making an active call to black and coloured agents who may not have considered membership in the past, to contact the Institute and join.

The benefits include networking, education, information, and tangible employment benefits such as membership of group insurance and pension fund schemes.

The need to stress this comes, believes Sidelsky, from an outdated and certainly no longer practiced "exclusive" policy of the Institute in years gone by of only encouraging the largest agencies to join the Institute rather than one man operators.

An agent requesting membership used to have to be "referred" "approved" and to write some kind of an entrance examination. This is no longer the case.

"We are campaigning now to extend our membership to all agents prepared to be bound by our Code of Ethics and join in our aims and we'd like to see membership boost from 6 000 to at least 10 000 within 12 months."

Star 29/6/93

Pay rise for clothing workers could hit jobs

By Tom Hood

CAPE TOWN — The 9,25 percent pay rise won by the country's 100 000 clothing workers from July 1 will fatten their wage packets by more than R15 million a year.

But, unless the industry can pass its higher labour costs along the line — boosting shop prices — still more manufacturers will be forced to close their factories, warn industry leaders.

Chances are slim, however, of major retailers accepting price increases. Pep Stores chairman Christo Wiese said last week that this year had been the toughest yet for the clothing retailer but business could turn for the better in the third and fourth quarter.

The pay agreement was reached in negotiations conducted nationally for the first time between employers from the four provinces and the SA Clothing and Textile Workers' Union (Sactwu) in Johannesburg.

National Clothing Federation president Aaron Searll said that, while the industry was still operating under difficult trading conditions, the settlement was considered fair and reasonable to both sides.

"But, there is no way the industry will be able to absorb this increase and, unfortunately, it will have to be passed on to our customers," he said.

Vendome offers a place for luxury

LONDON — The rarefied world of European luxury goods has caught the scent of a new name with the christening of Vendome, the planned holding company for the portfolio of luxury brands owned by Richemont of Switzerland.

Cartier, Piaget, Mont Blanc, Dunhill and Karl Lagerfeld will be injected into Vendome, which is to be listed in London and Luxembourg if a restructuring of Richemont's subsidiaries is approved by shareholders.

Analysts estimate the new company could be valued at up to £3 billion, making it a member of the FTSE-100 index in London, even though luxury brands are out of favour because of recession.

Richemont, controlled by the Rupert family of South Africa, has spelt out its plan to simplify its complex group structure by splitting off the tobacco arm, Rothmans International, and combining the two luxury goods businesses, Luxco and Dunhill Holdings, into Vendome.

Dunhill is at present a 57 percent owned subsidiary of Rothmans.

Shareholders

Shareholders in Rothmans and Dunhill Holdings are being offered cash and shares in the new tobacco and luxury goods companies.

Richemont said the new structure would lead to savings and improved marketing. "We are trying to get the operational structure to reflect operational necessities," said Johann Rupert, managing director.

The restructuring will also bring to an end Dunhill Holdings' life as a publicly listed company. The company, which was set up by Alfred Dunhill exactly 100 years ago, was listed on the London Stock Exchange in 1923.

Lord Douro, Dunhill's chairman, said Vendome's individual brands would continue to be managed separately and the disappearance of Dunhill's listing was not significant.

"We believe Vendome is one of the most distinguished group of brand names," he said. "It would be immodest to say more than that."

The new company is named after Paris's upmarket Place Vendome.

Piet Liebenberg joins Cosab

Star 29/6/93

Piet Liebenberg.

One of South Africa's best-known bankers, Piet Liebenberg, has been appointed chief executive of the Council of Southern African Bankers (Cosab).

58

The new appointment is effective from July 1.

Commenting on the appointment of his namesake, the chairman of COSAB, Chris Liebenberg, said that the Council was delighted and fortunate to obtain his services.

"Piet's exposure to the different fields of banking, and his knowledge of the economy, will stand COSAB in good stead".

Piet Liebenberg succeeds Tony Norton who left COSAB recently. He will retain his non-executive chairmanship of Bibliaton '94, a project of the Bible Society of South Africa.

Star 29/6/93

Property firm clinches first 'unit' deal

Property Editor

Capital Property Fund is the first property unit trust (PUT) to buy property by the direct method of issuing units to the seller.

(58)

This follows recent changes to the trust deed provisions for property unit trusts.

The new provisions, recommended to the Financial Services Board by the unit trust advisory committee last year, allow the PUTs to issue units directly to vendors of property, rather than holding a rights issue to raise cash for the purchase.

Capital, managed by the JH Isaacs group, has already used the new system to buy an industrial property from Anglo-Dutch, and says two more such deals are in the pipeline.

The current deal involves the issue of 5 230 000 new units, worth R13,5 million, and the placement of these with a number of institutions in order to give Anglo-Dutch the cash.

JHI (Transvaal) property management director Markham Becker says the new system will allow PUTs to compete on an equal footing with variable loan stock companies or direct buyers and that other funds are expected to follow Capital's lead.

He says that using scrip for acquisitions will also eliminate the discount to market value in issuing new units which was necessitated by a rights issue, and which worked to the disadvantage of existing unit holders who tended not to follow their rights.

AIDS added to dread disease list

BiDay 29/6/93

LINDA ENSOR

CAPE TOWN — Metropolitan Life has included AIDS to the list of diseases covered by its dread disease product and has introduced new HIV testing criteria which take into account the regional differentiation in the spread of AIDS.

The effect of the new testing system would mean that more people would be tested in high risk areas such as Natal, Transkei, Namibia, Lesotho, Swaziland and Ciskei, Metropolitan Life said yesterday. More important than regional factors, however, in determining whether a test was required were age, the term of the policy and the level of cover. (58)

Metropolitan said yesterday its dread disease policy would pay out the sum assured in five annual instalments on diagnosis of full-blown AIDS as defined by the World Health Organisation, with any balance being paid should death occur before payment of the fifth instalment.

All applicants for dread disease policies would be tested for HIV and would not get a policy if found to be HIV positive. Premiums on Metropolitan's dread disease policies had been increased to cater for the inclusion of AIDS, Metropolitan marketing actuary Riaan van Dyk said.

Van Dyk said the dread disease benefit aimed to ease the financial problems which arose from living and medical expenses at a time when the policyholder needed it most.

BoE and stokvels in investment package

Biday 29/6/93

WILSON ZWANE

THE Board of Executors (BoE) and the National Stokvels Association of SA (Nasasa) have reached an agreement on a special investment product for members of stokvels.

Neither the BoE nor Nasasa would comment on the deal yesterday.

But sources said the product, which they described as "unique" and "revolutionary", would be launched in Sandton tomorrow.

The sources said the product was a "package", one component of which would be unit trusts. They added that the package was a joint venture by the BoE and Nasasa.

Negotiations between the two began last year in the wake of Nasasa president Andrew Lukhele's statement that his organisation planned to alleviate the black housing crisis by diverting millions of rands from banks to specially designed unit trusts, which would serve as collateral for home loans. He said the plan would allow black savings to be ploughed back into black communities. (58)

Sanlam plans new business park

B/Day 30/6/93

ANDREW KRUMM

SANLAM Properties plans a R60m business park in the fast growing Milnerton industrial node near Cape Town, says regional investment manager Kokkie Rall.

He said that as the property group had recently clinched its first transaction in the area — a R6m leaseback deal with Lithosavers subsidiary Tradeform — the new business park would strengthen Sanlam Properties' presence in Milnerton.

The leaseback project entailed the development of a new factory, packaging warehouse and offices of about 6 280m² in Montague Gardens, the only other industrial park in the area.

Rall said the Sanlam Business Park, which would front onto Koeberg Road, was planned as a closed-in development on 6ha recently acquired for R3,5m.

Although the board had approved the project, construction would start only when tenants had been signed up.

"Finding tenants will not be a problem, as our research shows that Milnerton is an important industrial growth point in the western Cape."

58

Real Estate Survey's Erwin Rode supported Rall's view, but added that the area was faced with a squatter problem.

Rall said the site was well-positioned to take advantage of pent-up demand for larger, prime industrial sites.

Annenberg Real Estate MD Dudley Annenberg agreed and said that another indication of the area's worth was that prices for township development sales in Milnerton had risen from R50/m² to about R120/m² during the past three years.

Rall declined to indicate the level of rentals once the business park was completed. However, Rode said rentals in the area would range from R7/m² for 1 000m² to R7,40/m².

Finance shifts govt money from Bank to private sector

BDay. 30/6/93

TIM MARSLAND

THE Finance Department had begun shifting money from government's account at the Reserve Bank into the private sector — a move which would substantially reduce month-end pressure on bank margins, sources said yesterday.

The Bank is thought to have transferred about R1,2bn to the "big four" commercial banks yesterday to offset month-end money market fluctuations that result when tax payments are made to government.

The move is in line with the Bank's policy to shift the money to the banking system, as announced by Finance Minister Derek Keys earlier this year.

In terms of the Exchequer Act, the Finance Minister has the right to invest surplus money from the Exchequer account in the private sector as well as other areas.

Reserve Bank money and capital markets GM Andre Kock confirmed that the cash had been deposited with the banks, but declined to disclose the amount.

Market sources believe about R1,2bn may have been placed on call with the Banks in total.

Full transfer of government's account is expected only once legislation has been passed by Parliament later this year.

It is expected that the new system will smooth out the fluctuations that occur in the daily money market shortage at the end of the month when banks have to find enough cash to match tax payments and other demands. The shortage rose to R4,25bn yesterday from Saturday's R3,37bn. However, the shortage is expected to remain flat today.

Those fluctuations cause an upward spike in money market interest rates over the month-end due to the demand for cash.

Interest rates have been static this month-end as June is normally an easy month in terms of liquidity.

The 90-day bankers' acceptance (BA) is trading at 12,05%. Previous months have seen the BA jump by as much as 20 points, coming off again later in the month when liquidity eased.

A money market dealer said the payments had relieved pressure. "We will have to wait and see how the market reacts."

Basil Read to sell its R45m portfolios

B/Day 30/6/93

ANDREW KRUMM

BASIL Read Holdings will sell its R45m investment and development property portfolios to a consortium of investors, the directors said today. (58)

Issuing a cautionary notice, they said the transaction would be concluded today, prior to the signing of a long-awaited deal giving French-based Bouygues Construction a majority stake in Basil Read.

Basil Read MD Chris Jarvis declined to name the members of the consortium or the purchase price. He said the deal would convert its property holdings to cash for use elsewhere in the organisation.

The deal would enable Basil Read to concentrate on its core business and distance it from the risks of holding property.

"Although the deal implies that Basil Read will no longer be a landlord, it does not mean we will move out of the property development market," Jarvis said.

He added that Bouygues was prepared to increase its participation in Basil Read from its present 25,9% stake only once the property deal was concluded.

VAT rules change to suit property deals

B/Day 30/6/93

ANDREW KRUMM

GOVERNMENT will change certain VAT rules to relieve property developers of the burden of temporarily financing clients' VAT payments to Inland Revenue before receiving payment for the deal, says Ernst & Young tax partner Ian MacKenzie. (58)

MacKenzie said the concession had been granted after developers approached revenue authorities to discuss problems on the timing of VAT payments following a sale transaction.

Previously the developer, as vendor, had to pay VAT on behalf of the purchaser on the earliest of three dates: six months after the date of the agreement, on registration of transfer, or on the release of any deposit paid.

However, given the need for pre-sales to ensure that a project was viable, the stipulated six-month period was often over before construction was complete and payment received from the purchaser.

"As a result the developer has in the past had to finance the VAT temporarily on behalf of the purchaser before receiving payment."

MacKenzie said government had agreed to delete the six-month period from legislation, and the amendment had been approved by Parliament two weeks ago.

"Government has yet to gazette the change, but this should happen soon," MacKenzie said.

'Policy Board' for financial services control

68 CT 30/6/93

SA DEPUTY Finance Minister Theo Alant said government was setting up a Policy Board for Financial Services and Regulation but had stopped short of integrating the Financial Services Board (FSB), Registrar of Banks and Registrar of Companies.

In a statement, Alant said the policy board would be responsible for appointments to boards and committees already in existence. He said the first reconstitution of these boards would take place as soon as convenient after the Policy Board has started functioning — July 1, 1993.

The Jacobs Committee of Investigation into the promotion of equal competition for funds in financial markets in SA recommended in September 1992 that a policy board be established to serve as a co-ordinating mechanism for as long as the Registrar of Banks and CEO of the Financial Services Board were separately controlled.

The Melamet Committee recommended in March that a financial and investment services commission be established as an integrated body into which would merge the Registrar of Banks, the FSB and Registrar of Companies but, Alant said, after receiving comments on the recommendations, government decided it was not yet time to integrate the offices.

He said the Registrar of Companies would remain within the Department of Commerce and Industry, but may be invited to attend policy board meetings and be co-opted to serve on advisory committees.

The office of the Registrar of Banks will continue to fall under the Reserve Bank, but regulatory responsibility will be extended to the Minister of Finance.

The office of the executive officer of the FSB will continue to fall under the FSB, with regulatory responsibility extended to the Finance Minister.

● Reserve Bank deputy governor Chris de Swardt was nominated as chairman of the Policy Board, which will become a statutory body once legislation had been approved.

Other government nominees are Finance Department deputy director general R W Burton, Absa Bank GM H F Falkena, African Bank vice chairman A S Nkonyeni, National Sorghum Breweries executive director I B Skosana and Business Practices Committee chairman L A Tager.

Financial institutions and markets nominated JSE executive president R C Andersen, Eskom treasurer and Bond Market Association chairman W J Kok, Nedcor MD C F Liebenberg, Standard Merchant Bank MD J H maree, SA Eagle Insurance Co MD P T Martin, and Sanlam chairman P Steyn.

The reconstituted Financial Services Board will have only three members, with De Swardt as chairman and Timelife Insurance MD W J Hasiam and Aegis Insurance MD B H Seach assisting.

The appointments take effect from July 1 for two years.

Star 30/6/93

Regulators to stay separate

(58)

The Government has decided to accept the Jacobs Committee recommendation on the establishment of a Policy Board for Financial Services and Regulation, says Deputy Finance Minister Dr Theo Alant.

He said last night the Government had come to the conclusion that now was not the right time to integrate existing regulatory offices into a single structure.

In terms of this decision, the Office of the Registrar of Companies will remain within the organisational structure of the Department of Commerce and Industry, but the Registrar of Companies, the Registrar of Banks and the Executive Officer of the Financial Services Board (FSB) may be invited to attend Policy Board meetings.

The Office of the Registrar of Banks will remain under the Reserve Bank's control, but the regulatory responsibility will extend to the Minister of Finance, as will the FSB's Executive Officer under the control of a reconstituted FSB.

Advisory committees/boards for the different categories of financial institutions and services and the financial markets, already in existence will be appointed by the Policy Board.

FINANCE – GENERAL

JULY — AUGUST.

People's banking in the pipeline

Citizen 4-7-93

PEOPLE'S banking, aimed among other things at the credit needs of low-income members of the community, is set to take off in SA.

Already a trust headed by well-known community leader Ellen Khuzwayo has been formed to investigate all aspects of this community banking concept.

Other well-known personalities invited to join the trust include lawyer Lilian Baqwa, Sheila Sisulu, Eric Molobi, Moses Mayekiso, Father Smangaliso Mkhatshwa, Ishmael Mkhabela, Israel Skhosana and the Rev Beyers Naude.

The formation of the trust follows a detailed investigation led by former managing director of the Perm banking group Bob Tucker; Civic Associations of Johannesburg general secretary Cas Coovadia and an international authority on community banking, Hank Jackelen.

Findings

58

Their findings were recently submitted to the Council of South African Banks (Cosab), which agreed to support a detailed study into the feasibility of establishing a community bank in SA.

Absa banking group executive Archie Hurst was subsequently appointed by Cosab to head this investigation. Hurst will be supported by experts from a wide range of community organisations and the formal banking sector.

In another development Coovadia has begun an investigation into the manner in which a community bank can be "deeply rooted in individual communities" and how they can take "real ownership" of the delivery of banking services within the community.

Banks and stokvels launch joint scheme

(58) CT 1/7/93

Own Correspondent

JOHANNESBURG. — A marriage between formal financial institutions and the National Stokvels Association of SA (Nasasa) bore fruit yesterday when the People's Benefit Scheme was launched with an initial R20m.

Development Bank of Southern Africa chairman Mr Wiseman Nkuhlu told the launch here that the scheme, based on the traditional stokvel (savings clubs) concept, was a unique joint venture between the bank, Nasasa, First National Bank and the Board of Executors (BoE). It was launched with R10m from FNB, R8m from the Development Bank and R2m from BoE.

Nasasa director Mr Stephen Japp said the package offered stokvel members, who otherwise had no access to finance, four elements: A savings account, fixed deposits and unit trust and loan facilities.

Nasasa president Mr Andrew Lukhele said stokvels, after a minimum savings period of six months, would be able to invest in a unit trust or a fixed deposit which would then be "pledged" as security for a loan.

Star 1/7/93

Financial services open to all

(58) (1994)

By John Spira

An innovative scheme aimed at providing South Africa's mass market with access to formal financial services was launched yesterday.

Called the People's Benefit Scheme, it is based on the stokvel concept and represents a joint venture by First National Bank, the National Stokvels Association (Nasasa), the Development Bank of Southern Africa (DBSA) and the Board of Executors (BOE).

The package offers members four elements — a savings account, fixed deposit, unit trust and loan facilities.

It will initially be marketed mainly to stokvels, which, after a minimum saving period of six months, will be able to invest in either a unit trust or a fixed deposit, which is then pledged as security for a loan.

Pat Lamont, FNB's assistant general manager (bank marketing), said:

"It is with great pleasure that we four organisations were able to pool our expertise to develop this package, which we firmly believe will make a meaningful contribution to the upliftment of individuals and communities and, in so doing, have a positive influence not only on the economy, but on the future stability of the country."

BOE's Mike Thompson said: "The deal was extremely complex as it involved not only a shared vision, but the individual needs of each also had to be met.

"BOE sees this scheme as a way to apply its financial and other managerial skills to the benefit of the man and woman in the street.

"This is particularly important for the disadvantaged.

"I am confident the scheme will make a difference to the South Africa of tomorrow by creating a bridge between the formal and informal sectors, while contributing real value through the gearing facility."

DBSA general manager Div Botha hoped the scheme would inspire further initiatives in the same direction by other financial institutions.

According to Andrew Lukhela, president of Nasasa: "For too long the majority of people in this country have been denied access to formal financing and credit.

"As a result, the entrepreneurial spirit has not been nurtured and encouraged.

"The introduction of the scheme will contribute greatly to economic empowerment, the impact of which can have only positive implications for the economic situation."

International help for SA banking's skills

TRACY SCHNEIDER

A LEADING international management consultant has teamed up with a local group to tackle management problems in SA's banking sector. 1/7/93

Corporate Intelligence MD Ian Munro-Cameron said SA's banking sector was desperately short of higher management skills, creating an urgent need for outside expertise. (412) (58)

This would come from Batt & Partner, a British-based consultancy specialising in banking and finance. It has consulted to more than 130 banks on five continents.

Munro-Cameron said that problems unique to SA banking needed to be overcome by an amalgamation of local and international expertise. Bl Day

"The major shortcomings of SA banks have been in long-term domestic and international strategy, short-term profit and cost reduction," he said.

The insular nature of SA society had trapped management in a "corporate corridor" or inward-looking culture.

"We need to attract top bankers to broaden our vision. European bankers move between banks and countries and even from industry into banks. More of this movement is needed in SA," said Munro-Cameron.

Management also needed to become more market orientated, he said, and had to spend more time selling banking products.

"Overseas bankers spend a minimum of 10% of their time selling, with this figure exceeding 20% in good banks," Munro-Cameron said.

"In SA, 2% of a banker's time is spent selling products, so there is tremendous scope for improvement," he said.

Reserve Bank trims role in capital market

(58) CT 1/7/93

Own Correspondent

THE Reserve Bank is to scale down its role in the capital market in a move that will pull the rug from smaller players that have been making speculative profits off the central bank.

In a statement to capital market players, it said it would no longer trade in amounts below R10m as "participation in small-value jobbing (speculative) transactions is not a central bank function nor a required responsibility of the Bank when acting as government's issuing agent in respect of new government bonds".

It said these smaller transactions should be handled by the market itself.

Dealers said the Bank had been concerned that smaller speculators were making profits off the Bank.

The Bank entered the market in order to bring down government's borrowing costs which it has been very successful at. Trade in government bonds accounted for 28% of JSE bond trade in September 1991 and rose to 62% by this month.

The Bank said it would introduce an informal market-making system. This will see the Bank appoint agencies to do smaller transactions on its behalf.

It also said that until the Bond Market Exchange was formally established, the Bank would only deal with JSE brokers, banks, pension funds, and insurers. From today , it would also not deal directly with companies which have associations with banks and will not allow any of the inter-dealer brokers to access its dealing room.

Southern Life notches 20% on 'pure' fund

(58)

CT 1/7/93

JOHANNESBURG. — Southern Life notched a return of more than 20% on the socially responsible Southern Pure Specialist Fund and a marginally lower return on the Southern Equity Fund for the quarter ended June 30.

And the unit price of the newest addition to the Southern Life stable, the Southern Income Fund, increased from 500c to 530c. Dividend payments totalling 21,6c were paid on the fund during the period.

GM (investments), Carel de Ridder, said with industrial shares rising some 8% and the JSE Overall Index going up 25% since the beginning of the year, the stock market had become more demanding.

"Southern Life's portfolio managers will be investing in shares that will benefit from the upswing."

During the quarter the Southern Equity Fund was a net buyer of mining shares and Amgold, Anglos, Anglovaal and Genbel were purchased. GFSA shares were sold and the Ofsil holding reduced. On the financial and industrial board, Liberty, Richemont, Dalys, Suncrush and Toyota stocks were increased while W & A and Sasol were added to the portfolio. The holding the Charter was sold off.

The Southern Mining Fund added Kloof to its holdings, increased its stake in Samanco and sold all Randfontein shares.

Dalys and Suncrush rights were followed by the portfolio manager of the Southern Pure Specialist Fund, who also took new positions in Sasol, Elcentre and Voltex. The Waltons holding was increased and the Toyota and Wesco investments restructured. — Sapa

New fund returns 20%

(58)

ALIDE DASNOIS
Business staff ARG 1/7/93

SOUTHERN Life's socially responsible Pure Specialist Fund posted a return of more than 20 percent in its first year of operation.

The fund bought into Sasol, Elcentre and Voltex, increased its holding in Waltons and restructured investments in Toyota and Wesco. Dalys and Suncrush rights were taken up.

Other Southern Life funds also showed good performances in the quarter ended June 30.

■ The Southern Income Fund, opened six months ago, paid out 21,6c and the unit price rose from 500c to 530c.

■ The general equity fund posted strong inflows, with assets growing by 310 percent to R205 million over the past two years.

During the quarter the fund bought into mining, adding Amgold, Anglos, Anglovaal and Genbel to its portfolio. In financials and industrials, Liberty, Richemont, Dalys, Suncrush and Toyota stocks were increased and the Charter holding sold off.

■ The Mining Fund benefitted from the strong recovery in mining shares over the past six months after three difficult years. The fund added Kloof to its holdings, increased its stake in Samanco and sold all Randfontein shares.

General manager (investments) Mr Carel de Ridder said the share market had become more demanding.

Southern Life unit trusts 'healthy'

Business Day Reporter

SOUTHERN Life unit trusts turned in a "strong performance" for the year to end-June 30, Southern Life investments GM Carel de Ridder said. BlDay

These "included a return of more than 20% (for the year) on the socially responsible Southern pure specialist fund, and a marginally lower return on the Southern equity fund". 1/7/93 (68)

The trust, however, failed to specify what these returns were, and omitted performance figures for the group's third unit trust, the Southern mining fund as well.

De Ridder did say that the mining fund's performance during the quarter reflected the recovery of mining shares.

He said the Southern income fund (the fourth unit trust in the Southern stable) was a clear leader in its category and had justified the confidence which investors had shown since its launch six months ago.

The flagship Southern equity fund had grown to R205m (March 1993: R175m) due to a strong inflow during the quarter, and was a net buyer of mining shares — Amgold, Anglos, Anglovaal and Genbel.

"On the financial and industrial board, Liberty, Richemont, Dalys, Suncrush and Toyota stocks were increased, while W&A and Sasol were added," he said.

The Southern mining fund added Kloof to its holding, upped its stake in Samancor, but sold all its Randfontein shares.

"Dalys and Suncrush rights were followed by the portfolio manager of the Southern pure specialist fund, who also took new positions in Sasol, Elcentre and Voltex," he said.

Bank to reduce its capital market role

BDay 1/7/93

TIM MARSLAND

THE Reserve Bank is to scale down its role in the capital market in a move that will pull the rug from under smaller players who have been making speculative profits off the central bank.

In a statement to capital market players, the Bank said it would no longer trade in amounts below R10m as "participation in small-value jobbing transactions is not a central bank function nor a required responsibility of the Bank when acting as government's issuing agent of new government bonds".

It said these smaller transactions should be handled by the market itself. Dealers said the Bank had been concerned that smaller speculators were making profits at its expense.

The Bank entered the market to bring down government's borrowing costs. Trade in government bonds accounted for 28% of JSE bond trade in September 1991 and rose to 62% by this month.

58

The Bank also decided not to immediately appoint outside dealing firms to act on its behalf. However, it "should encourage an evolutionary development of such a system".

Nonetheless, it would introduce an informal market-making system. This would see the Bank appoint agencies to undertake smaller transactions on its behalf. These agencies could be required to deal with shorter settlement periods to help the Bank with its money market management, which would create opportunities for them to trade forward.

It also said that until the bond market exchange was formally established, the Bank would only deal with JSE brokers, banks, pension funds, and insurers.

It would also not deal directly with companies with bank associations.

PROPERTY VAT FM 2/7/93 (58)

Victory for developers

Successful lobbying of the Revenue department by developers' tax advisers has resulted in a considerable, but logical, concession. A new amendment removes the onus on developers to pay Vat (14%) on the full purchase price of a property before receipt of payment

cont p

PROPERTY FM 2/7/93.

from the purchaser. (58)

Previously, when a property was sold by a developer, Vat on the full purchase price was payable by him on the earliest of three dates: six months after the date of the agreement; on registration of transfer; or on the release of any deposit paid or any other payment.

As Ernst & Young tax partner Ian MacKenzie points out, most developments today require pre-sales to ensure that they are viable. This invariably means that the six-month period is up long before construction is complete, placing an obligation on the developer to pay Vat before he has received his payment from the purchaser.

"The good news is that this six-month period has now been deleted from the legislation and applies to any current transactions for which the six months have not passed," says MacKenzie.

A still onerous condition in the legislation is that partial payment for a property may trigger the full Vat payment by the developer. But according to MacKenzie this problem can be overcome by structuring the purchase agreement to provide for a deposit rather than a partial payment towards the purchase price.

"When the client pays a deposit, this action has nil effect on the Vat obligation. It's only when the deposit is released or applied against the purchase price that the Vat obligation comes into effect. Correct legal terminology in such agreements is therefore important.

"The description of the deposit should take the form of 'the purchaser undertakes to pay a deposit of X' rather than 'the purchaser undertakes to pay the purchase price in a series of instalments,' " he advises. ■

Rand bruised despite Reserve Bank efforts

(58) CT 2/7/93

Own Correspondent

JOHANNESBURG. — Driven by the German cut in interest rates yesterday, foreign exchange markets went on a rollercoaster ride that left the rand bruised despite Reserve Bank efforts to ease the way.

However, the capital market ignored the currency's woes, instead resuming the bullish trend started on Wednesday after the release of positive inflation data.

The rand crashed to a historic low of R3,3868 to the dollar yesterday in one of the most volatile trading days as the rush to buy dollars reached fever pitch ahead of a cut in German interest rates.

The dollar surged up to a high of 1,7180 German marks on the news but once the market had digested the cut, profit-taking set in and the US unit fell to below 1,70 marks.

The rand, however, failed at first to benefit noticeably from the dollar's fall from favour, spurring Reserve Bank intervention to prod the currency into moving in the logical direction.

Dealers said the Reserve Bank agressively defended the unit by pumping a rumoured $100m into the spot market. The rand eventually ended the day at R3,3498 to the dollar from R3,3267. Local dealers pointed out the rand had failed to benefit fully from the easier dollar.

Stockbrokers Simpson, McKie said since January this year the effective exchange rate had declined at an annualised rate of 13%.

It said it was unlikely that the decline was a policy decision, but was rather forced by continuing capital outflows due to increased political uncertainty as the country approached "the democratic showdown".

It said that the weaker rand would have a longer term inflationary effect which would weigh on capital market sentiment.

However, the capital market maintained Wednesday's strong showing as the euphoria surrounding the unexpectedly low inflation figure of 10,6% continued.

Good two-way institutional business was seen Key long-dated bonds have fallen 30 points since the release of the inflation data on Wednesday.

Eskom's benchmark 168 bond fell below the key resistance level of 14,50% to end the day at 14,46% from 14,54% previously

The German Bundesbank cut its key discount lending rate by 0,5 of a percentage point to 6,75% and its Lombard rate by 0,25 of a percentage point to 8,25%.

Global currency dealers have anticipated the cut for a number of weeks taking the dollar strongly higher against the mark.

Once the cut was finally announced, the dollar initially made slight gains before coming off as investors refocused attention on the US economy. Key US employment figures are due today which dealers expect to indicate weakness in the US economy

Sources in the local rand market said concerted speculative selling from one source early in the day sparked off the panic that took the rand to the R3,3850 level. The Bank, aided by a number of major players, acted at the R3,38 level to force the unit back down to the R3,35 level.

FINANCIAL SERVICES FM 2/7/93

In from the cold (58)

Financial Services Board executive officer Piet Badenhorst is to investigate how to measure the strength of financial conglomerates. His report, due next year, is intended to establish "to what extent the financial strengths of the various components in financial conglomerates complement each other."

ECONOMY & FINANCE FM 2/7/93

(58)

Badenhorst — not to be confused with his namesake who has just resigned as head of Absa — has been appointed vice-chairman of the International Association of Insurance Supervisors. It's a new organisation, representing 53 countries, which will share information among national regulatory bodies.

Badenhorst says the association will operate on a highly confidential basis.

Defining how financial strength is perceived in a conglomerate is not a problem peculiar to SA, though this country has more than its share of too-close relationships between financial institutions. Banks control insurers and unit trusts: and the reverse also applies. Financial regulators, says Badenhorst, are primarily concerned not with structures or how investors decide to apply their funds, but with the underlying "ability to pay" of the institution which is taking public funds.

Underlying the association's philosophy is the Dingell Report to the US Congress, which was scathing about the opportunistic nature of the US insurance industry and the lack of suitable supervision. That philosophy differentiates between:

☐ The type of company which may sell furniture or steelwork and subsequently become insolvent but the purchaser stands to lose no more than a warranty; and

☐ Insurance, where the purchaser needs certainty that the seller will be around in years to come to pay claims.

Badenhorst says the solvency issue is international. He points out that, when Northern Employers Group (NEG) ran into trouble in Australia, the ramifications went round the world, with NEG in SA having to be sold to Mutual & Federal.

Also given priority by the association are:

☐ A code of ethics for information interchange;

☐ Control of fraud; and

☐ Information on standards for establishing solvency.

Hopefully, says Badenhorst, there will be better interchange of information about reinsurers. Many operations have proved to be fly-by-night, one reason why local regulations encourage the use of the so-called professional reinsurance market. Regulators have difficulty in tracing retrocession of reinsurance around the world and co-operation between regulators about lesser-known reinsurers would be helpful, he says.

Most encouraging, Badenhorst adds, is that SA was asked to chair several workshop groups at the association's inaugural meeting. "Our regulators and our supervisory structures have a high profile at international level." ■

BANKING FM 2/7/93

Close relations (58)

A perception among politicians that negative real interest rates are politically expedient seems to be ill founded. More people are adversely affected by abnormally low interest rates than benefit, says the Reserve Bank.

Indications from a Bank study of bank-client relationships is that, while aggregate individual borrowings exceed individual deposits, many more people deposit with banks than borrow from them. (58)

These findings are based on a sample of 4 000 individuals drawn at random from the client base of two major banks. Information provided to the central bank included:

- ☐ The first two digits of a person's identity number which establishes age;
- ☐ Total gross deposits and a breakdown into type of account or deposit;
- ☐ Total gross advances and a breakdown into form of credit; and
- ☐ A net position.

The most important client groups were the 20-29 and 30-39 year olds — though older people's proportion of the banks' client base was greater than their proportion of the total population.

More than three-quarters of the clients were depositors only, while less than 14% had only loans from and no deposits with the bank. About 9% had both deposits and borrowing.

The overall average of all non-zero deposits was R6 620 while more than a quarter had less than R100.

Nearly 77% of the sample had no advances. Of those who borrowed, most owed their banks R5 000-R20 000, while the overall average of non-zero gross advances was R31 380.

While net deposits were concentrated around the small values, net advances were mostly in the higher values. The overall average net position of all clients in the sample was borrowing of R1 560.

Propensity to borrow rose with age, up to the range 40-49 years, and then declined. ■

ABSA FM 2/7/93 (58)

Was Badenhorst pushed?

The question that hasn't been answered about Absa CE Piet Badenhorst's decision this week to take early retirement is: was he pushed or did he jump?

Badenhorst has offered no explanation. A logical assessment of what he and his close-knit team have achieved in recent years hardly suggests that he was a candidate for dismissal.

After all, Absa was his creative inspiration and it was his nimble negotiating that brought it about.

Apart from United Bank, which always was a well-run enterprise, he gathered together the problem banking businesses of some larger undertakings and took on other banks that had insufficient capital and skills to ensure their survival. The debtors he thus inherited can hardly be said to have been blue chip. It was the cost of growth by acquisition.

Drastic action needed

Mixed up in all these disparate units were instances of managerial incompetence, blatant dishonesty and executive inertia. It is no wonder that 5 000 employees have left the group and that drastic action needed to be taken against some debtors, a few with high profiles that masked inadequacies.

Litigation was inevitable both to remove problems and ensure that shareholders' interests were preserved. At least one part of the whole was acquired too in a heavily contested takeover. In the circumstances it is unlikely that Badenhorst would have made more friends than enemies.

The bank's results, announced a few weeks ago, were by no means spectacular, but were adequate under the circumstances. There are clearly benefits still to flow from rationalisations, especially technical ones.

Having acquired so many poorly performing banking assets so quickly, the road to redemption was bound to be rougher and more uncomfortable for both top managers and directors the shorter the journey. And it has been very short.

Of the board factions, Sanlam had every reason to be pleased with Badenhorst. He took over their worst headache, Bankorp, and cleaned out its dubious debtors. The Rupert family is another matter. They are wary of anything that is high profile, they tried to mediate before between Volkskas and Sanlam when the latter wanted to foist a problematic TrustBank on to Volkskas's shareholders and they like to exude a sensitive social conscience. Our guess is that Badenhorst's style found no comfort in the Rupert bosom.

The third board faction is Anglo American, which has a relaxed superiority born from representations on other large competing bank boards: First National and Standard.

It could have taken more seriously than is characteristic FNB's Barry Swart's jibe about Absa's alleged prejudice against English-speakers. But we doubt it.

Badenhorst tells the *FM* that he plans when he leaves next month at the age of 57 to remove himself from public controversy and then allow his entrepreneurial instinct to range. For the first time in his life he is rich beyond avarice. His avowal that he will never again work for a board of directors and shareholders speaks volumes.

Of course, if the CEO goes under circumstances such as these, what about his chairman, Herc Hefer, an accountant who chairs the Mines Pension Fund but is certainly not an Anglo, Sanlam nor Rupert man. He also has a curious friend to whom he lent a large sum as if it were mere small change. But then one man's small change is another's fortune.

Our guess is that chairman Hefer is unlikely to survive Badenhorst by long. And that he will be succeeded by Anglo's Les Boyd, whose style ironically is more akin to Badenhorst's than Rupert's.

Oh, and the answer to the question? Well, he was pushed, but he wasn't an unwilling jumper.

Nigel Bruce

FM 2/7/93 (58)

FM 2/7/93 (58)

FM 2/7/93 (58)

CAPITAL MARKET (58)

Up and up

FM 2/7/93.

The first few months of 1993 saw an increase in the value of trading in most financial markets operating through the JSE.

The value of shares traded rose from R6,2bn in the third quarter of 1992, and R5,4bn in the fourth, to R8bn in the first quarter of this year. The Reserve Bank *Quarterly Bulletin* records that, in the five months from December 1992 to April 1993, the average monthly price level of all classes of shares increased by 19,3%, following a decline of 16,5% in the preceding five months.

"The recovery in share prices was led mainly by increases in the prices of industrial, commercial and financial shares," says the *Bulletin*. "From February, share prices of gold mining companies also started to increase sharply, with the result that the monthly average price level of gold mining shares in April was 74,8% higher than in November 1992."

The net purchase of shares by nonresidents rose from R600m in the last four months of 1992 to R1,8bn in the first four months of 1993.

The surge in activity brought the average price level of all classes of shares, in April, to within 0,4% of the peak reached in June 1992, before the crisis of confidence created by the massacre at Boipatong that month.

The Bank reports that the quarter saw a rise in the value of trading of public sector stock on the JSE — from R131,1bn in the fourth quarter to R168,3bn in the following quarter. Reasons cited by the Bank include:

☐ Lower inflationary expectations (which makes returns at a fixed rate of interest more attractive than in a time of high inflationary expectations); and

☐ The return of nonresidents to the market, with a net purchase of public-sector stock of R300m in the first four months, after net selling of a similar amount in the last four months of 1992.

The Bank says uncertainty about share prices caused the total value of futures contracts to rise to R21,8bn in the first quarter, from R13,7bn in the previous quarter. Of this, 98,3% was in contracts in share indices.

Trade in options on index futures, which started in October last year, has burgeoned. The Bank says the value of contracts traded increased from a monthly average of R45m in the last two months of 1992 to R103m in the first quarter of the year. On March 15, the open interest on 44 268 contracts in options on index futures surpassed the open interest on all futures contracts.

And the Bank reports that "despite continued efforts to promote traded options on shares, activity on the JSE's Traded Options Market remained very low." Only 145 contracts, with an underlying value of R900m, were traded in January, followed by 10 contracts worth R70 000 in February. No options in this market were traded in the following two months.

In the gilts market too, fewer options were traded in the first quarter of 1993 than in the previous quarter.

On the primary capital market:

☐ Public-sector issues of fixed-interest securities "increased sharply in the first quarter of 1993, in contrast with the normal seasonal pattern during the course of a fiscal year." The value of issues amounted to R7,5bn, compared with R500m in the corresponding quarter of 1992 and R300m in the fourth quarter of 1992; and

☐ Net new issues of ordinary shares by listed companies amounted to R1,9bn in the first quarter, only slightly more than issues the previous quarter worth R1,7bn. ■

IGI fund 'fails to startle'

B|Day 2|7|93

ANDREW KRUMM

IGI unit trust's 10,8% return for the year to end-June 1993 was not that startling compared with industry results, director Peter Linell said yesterday. (58)

Linnell added the fund's decision to increase its holdings of gold shares during the June quarter — which bumped up the year-on-year return from 2,3% last quarter — had paid off "but the performance figure for the year to June was affected by three bad quarters in a row, which saw blue chip shares fail to perform".

Linnell ascribed the rise in the fund's market value to R53,1m (R48,1m) solely to capital appreciation — a result of the fund's investment in gold, as the fund experienced a small outflow of funds during the quarter.

'Good' return from Momentum

B|Day 2/7/93

ANDREW KRUMM

MOMENTUM unit trust trotted out an 18,6% return for the year to end-June 1993, RMB Asset Management executive director Peter du Toit said yesterday.

He said "the return was quite good given the substantial decline in the SA equity market in the latter part of 1992, when the six largest companies on the JSE lost 21% in market value in four months". (58)

The share market's decline had affected performances across the board, and many investments on the JSE had still not recovered to levels seen a year ago.

The fund increased in market value to R66,9m during the quarter (March 1993: R61,4m), largely as a result of capital appreciation. Du Toit said "there was a minimal outflow of funds, as some unit holders capitalised on the rapid growth in markets during the past six months. In the same period the Momentum fund grew by an annualised 24,4%."

The unit trust drew down its investment in financial and industrial shares in favour of gold counters, mining shares and cash. At end-June the portfolio was 23% invested in gold and mining shares (March: 19%), with a 54% (62%) investment in financial and industrial shares and had 23% (19%) in liquid assets. An interest in Datakor was disposed of, holdings in Pepkor and SAB were reduced, an investment in Gencor was increased and Huntcor counters were added to the portfolio.

Metboard returns back to form

ANDREW KRUMM

FOLLOWING a slight slip in the June quarter, the Metboard income fund achieved a modest 19,6% return for the year while sibling Metfund gave investors a 16,1% return for the period, Metboard said yesterday. Bl Day

The income fund's performance compared favourably to returns of 20,5% and 19,5% over the past two and three years, while Metfund's growth weighed up against the 15,3% rise in the all share index over the period. 2/7/93

Income fund manager Guy Toms said although the fund grew substantially during the quarter to R102,8m (March: R90,4m), the investment strategy had been defensive. "So long as outflows on the capital account of the BoP continue and as government tax revenues remain depressed, potential for a fall in interest rates is limited." (58)

Metfund portfolio manager Steve Mills echoed Toms's view, saying that with the current levels of the equity market and a weak domestic economy, he would maintain liquidity at a high 25% — and stay in the more defensive sectors.

Sanlam releases unit trusts' growth rates

BiDay 2/7/93 (58)

LINDA ENSOR

CAPE TOWN — The five unit trusts in the Sanlam stable achieved growth rates ranging from 10,3% to 4,1% on a repurchase-to-repurchase basis in the year to end-June.

The Prime Growth Trust (formerly the Dividend Trust) notched a return of 10,3%, the Industrial Trust a return of 9,5%, the Index Trust 5,8%, the Sanlam Trust 5% and the Mining Trust 4,1%.

The Index Trust declared a half-yearly inocme of 24,2c per unit, the Mining Trust 6,3c per unit and the Industrial Trust 17,2c per unit. Over a three-year term to end-June the Sanlam Industrial Trust achieved a compounded annual return of 22%, placing it among the top five in the industry.

Assets of the Index Trust recently reached the R1bn mark with asset growth of all five trusts averaging an annual 34% over the past five years to reach over R2bn by the end of the quarter.

Sanlam portfolio manager Nel van Niekerk said the liquidity levels of most of the funds was lowered over the quarter to facilitate the purchase of mining shares. Very little selling took place and this was concentrated on selected industrial stock.

The mining sector could be expected to fare better than others within the foreseeable future. However, Van Niekerk did not believe it would be possible for mining shares to maintain the rate of growth they had achieved over the past year.

He thought the weakening of the exchange rate of the rand would support prices of mining shares, adding that higher price levels were also possible.

"The gold index rose by nearly 60% during the past quarter. In contrast, the industrial index increased by only 6%. For the benefit of investors, Sanlam invested heavily in mining shares, particularly the Mining Trust and the Index Trust," Van Niekerk said.

A new investment policy had been introduced to ensure that the trusts benefited from conditions on the JSE, such as the sharp increase in the gold price.

Sanlam officially launched its Income Fund yesterday and had already received several millions for investment within hours of its being marketed.

Good performance from Gold Fund

BDay 2/7/93

DUMA GQUBULE

STANDARD Bank Gold Fund recorded its second highest one-year return of 58,7% in the year to June.

The performance was the fund's best since 1986 when it recorded a return of 68,6% and compared with an annual return of 83,3% on the all-gold index in the year to end-June.

Standard Bank Fund Manager MD Derick Finlayson said yesterday the Gold Fund was the top performer in the bank's unit trust stable.

At end-June the fund had a 74% holding in gold and gold-related mining financial shares.

The fund's assets increased to R253m from R206m at end-March.

Standard Bank Mutual Fund, the group's largest, recorded a one-year return of 16,7% compared with the all-share index's 15,4% return.

The fund's assets rose to R735m from R649m at end-March with 61% invested in equities and the balance in cash and approved securities.

Finlayson said the fund had maintained a relatively high liquidity level against a background of overvalued industrial and financial shares and a gold board which had experienced highly buoyant returns.

Standard Bank Extra Income Fund, the best performing fund in the year to end-December, achieved a return of 13,2%. Its assets rose to R455m from R20m at end-March.

Standard Bank Industrial Fund's one-year return was 10,9% against the industrial index's 7,6%.

The fund's assets rose to R16m from R14m.

(58)

The fund would continue to maintain its 40%/50% exposure to industrial shares until there were concrete signs that a sustainable upturn in earnings was in prospect.

Standard Bank International Fund reported an 11,2% return in its first full year as its assets rose to R50m from R42m.

New Republic Bank buys Merchant Trade

B/Day 2/7/93

EDWARD WEST

NATAL-based New Republic Bank (NRB) has acquired Merchant Trade and Finance (MTF) from SA Bias Group's financial arm Merhold for R45m.

NRB MD Mac Mia said a further acquisition was in the pipeline. (58)

A JSE listing for NRB would be considered during the next 12 months, he said.

The purchase would be settled by issuing 14,2-million new ordinary shares in NRB to Merhold. The acquisition became effective yesterday.

MTF provides trade, working capital and receivables financing and specialist trade services to SA clients through its offices and agencies in Johannesburg, Cape Town, Durban, London, Isle of Man and Vaduz, Liechtenstein.

Mia said the acquisition would enable NRB to increase its asset base to more than R1bn fairly quickly and would substantially enhance profitability. NRB's main shareholders included Merhold, Sanlam and IGI Life Assurance.

Merhold chairman Christopher Seabrooke said synergistic benefits should be achieved once Merchant was absorbed in NRB. Merhold expected good long-term returns on its increased NRB investment.

As Merhold would have held 63,1% of NRB after the transaction, it has given the Registrar of Banks an undertaking to reduce its shareholding to 49% immediately. NRB, a registered bank, was governed by the Banks Act, which rules no person may hold more than 49% of the equity of a bank.

The Securities Regulation Panel gave Merhold dispensation from the mandatory offer to NRB shareholders if the shareholders, who together held 35,9% of NRB, approved the transaction. Merhold currently holds 22,8% of NRB.

NRB recently raised R17,5m through a rights issue but this was its first acquisition for shares.

The takeover of Merchant by NRB left only GDM Finance and Sasfin as separately listed trade finance houses.

Merhold would change its name to Merhold Investment Corporation, which would more accurately reflect the nature of its major activities, a statement said.

Absa hails bond price-fixing victory

(58)

ARG 3/7/93

BRUCE CAMERON
Business Staff

ABSA Bank, with its current ups and downs, won one battle this week — it has eventually convinced the legal fraternity that price fixing is just not on.

The Cape Law Society, after months of fighting Absa pressure to scrap fixed charges on the registration of bonds and transfer of property ownership, has backed off.

Mr Gerald Jordaan, regional manager of Absa Bank, who has been a key figure in negotiating a change to the fee structure, welcomed the society's "excellent" decision.

Initially, the society threatened its members with dire consequences if they agree to Absa demands that the prices be made negotiable.

But after Transvaal lawyers gave way and the Natal Supreme Court also ruled against fixed fees, Cape lawyers felt the banks would have their business done by lawyers from other provinces and bucked against the decision of their society.

A general meeting of the society's members agreed that the fee fixing should be dropped.

The change could save property owners a few hundred rand on a transaction but they will now have to negotiate payment on the fees. There is nothing to stop lawyers charging more than the old fixed prices.

Absa Bank has estimated that lawyers' fees in the average transfer of a property total about R2 500, of which no more than R1 500 are actual costs.

'Smaller' investors with R1m to spare

S[unday] Times (Buss) 4/7/93

Business Times Reporter

(23) (58)

SYFRETS has launched Stewardship, a portfolio management service aimed at what it calls the smaller investor — with between R200 000 and R1-million for investment.

Stewardship is underpinned by the quartet of unit trusts in the Syfrets stable as well as other retail products. It is meant to provide the smaller investor with access to the in-house investment expertise previously enjoyed only by the really wealthy managed-portfolio customers, says senior manager Garth Smit.

It bridges the gap between unit trusts (for really small investors) and full private portfolio management.

The cost of Stewardship will depend on the size of a portfolio and a customer's objectives.

Syfrets' unit trusts have been tops in five years. It has R8-billion under management.

Metboard has launched Guaranteed Income Investment and Guaranteed Capital Growth Investment to provide investors with more certainty in a volatile climate.

The income investment gives a guaranteed and tax-efficient monthly income stream on a lump sum and offers growth potential. The capital growth investment allows the investor to guarantee between 5% and 100% of his capital investment while enjoying appreciation through Metboard's three-pillars-of-investment strategies.

BIDay 5/7/93

Commercial Union grows

ANDREW KRUMM

THE Commercial Union growth fund posted a "pleasing" 18,35% return for the year to end-June, portfolio manager Alex Murray said on Friday.

"The value of the portfolio grew during the quarter to R31m from R27,6m in March, and although the majority of this growth resulted from the appreciation of existing assets, the fund also experienced net purchases by unitholders."

Murray added that despite the boom in the gold sector, he had restricted his investment activity during the quarter to non-mining sectors. A single disposal, that of Tempora rights, was made, while a 14% exposure to the insurance sector in March was reduced to 12% in June.

(58)

As the fund's investment in gold was deemed sufficient, no new gold counters were added to the portfolio. "At the end of June, though, the gold mining exposure in the portfolio grew to 7% (March 1993: 4%) as a result of capital appreciation."

Holdings in Premier and Liberty Life contributed substantially to the fund's performance.

Capital market rates at nine-month lows

B/Day 5/7/93

TIM MARSLAND

CAPITAL market rates hit nine-month lows on Friday amid continued talk that a Bank rate cut was on the cards within the next few weeks, dealers said. (58)

Eskom's E168 benchmark bond fell to 14,35% from a previous 14,45% and traded at the same level as government's R150 bond. The R150 had traded lower than the E168 for most of the past two years and dealers said the fact that the two were trading neck-and-neck reflected the excess supply of government paper.

Government needs to raise about R26bn from the market in the current year to fund the deficit and has sold more than R10bn so far, causing an oversupply of paper in the market.

However, dealers were reluctant to describe last week's 50-point fall in key bond

□ To Page 2

Capital market

B/Day 5/7/93

□ From Page 1

rates as a bull run. (58)

"This move lacks the volume and momentum to be termed a proper bull run," a dealer said

"What happened last year — when bond rates fell more than 200 points — was an overreaction to market expectations of Bank rate cuts.

"This time round, the market is underreacting to the possibility of lower interest rates."

The downward move was sparked off on Wednesday after bullish inflation data was released. It showed the inflation rate for the 12 months to May fell to 10,6%.

Another dealer said the market was likely to consolidate around the current levels on the back of fears that institutions could start taking profits.

They were seen buying stock at these levels earlier this year and some were caught with loss-making investments due to the bear run after the Budget in March

A dealer said institutions currently differed on the likely direction of the market and were hedging against possible unfavourable movements.

This difference of opinion was healthy for the market, since it created volatility.

Auditors express doubts about Marlin's viability

B/Day 5/7/93

ANDY DUFFY

MARLIN Corporation auditors have been unable to form an opinion on the group's 1992 figures because it was unclear whether SA's leading granite producer could be audited as a going concern.

In the audit report accompanying Marlin's 1992 annual review, KPMG Aiken & Peat said they could not determine whether a going concern basis of accounting was appropriate because Marlin was dependent on its bank's support for its survival and its ability to return to profit.

Marlin sustained an attributable loss of R16,3m in the 18 months to December, against a R10,6m profit last time, while its debt rose from R39,4m to R62,4m. Net assets dropped 38% to R89,2m, while gearing rose from 23% to 76%.

For a going concern, KPMG added in its qualified report, the company should have funds to finance future operations, and to meet its obligations in the normal course of business.

Marlin had chosen not to value its assets or liabilities for a scenario in which it could not continue as a going concern, the auditor said.

"In view of the significance of (these) uncertainties," the auditor added, "we are unable to express an opinion on whether or not the going concern basis of accounting is appropriate and therefore do not express an opinion on the financial statements of the company."

The qualification — one of the clearest warnings an auditor can give on his client's prospects — comes after a difficult two years for the granite producer.

Unveiling the results in April, Marlin disclosed sales of assets to improve its liquidity, and a staff reduction programme which had cut its 1 000-strong workforce by half.

Though the company had cut debt by around R20m, trading conditions remained poor and it was still going through a radical reshape.

Chairman Peter Gain disputed that Marlin was not a going concern, adding that many companies were reliant on their banks and profitability for their survival.

"We've adopted a method of accounting which we've been using for the past 30 years," he added. "They (KPMG) are saying they can't comment on the correctness of it. We are very much a going concern."

Finance director Ian MacMillan added that KPMG had to "draw attention to the fact that the company is heavily in debt and that the banks hold the strings in continuing to provide Marlin with finances. They (the banks) are anxious to know how we're getting on."

(58)

Marlin's mainstay quarrying operations had been subcontracted to Italian group Conti until July, to allow Marlin "an essential period for overall consolidation and reassessment", Gain added in the report.

The company had also been hit by charges for discontinued operations, provisions on Marlin's share trust scheme following the collapse of its share price and losses on trade investments.

Marlin set aside an extraordinary charge of R34m in April, but has since raised this to R42,4m following the deterioration of conditions since the results were announced.

MacMillan added that one option would be the disposal of its quarrying operations to further reduce borrowings. This would leave the company with a turnover of just more than R50m.

Marlin's woes have been reflected in its share price. On Friday Marlin Corporation was trading at 8c, leaving a market capitalisation of R3,7m — just 4% of its level in June 1991.

COMPANIES

BoE fund retains its top spot

ANDREW KRUMM

THE Board of Executors (BoE) growth fund has posted a 21,46% return for the year to end-June, maintaining its March 1993 position as the top annual performer among general equity unit trusts.

BoE fund manager Ryk de Klerk said: "Although we had a low effective exposure to gold shares over the past few months, our total selection came through."

De Klerk said the fund's 18,86% return for the three years to end-June was "satisfactory". According to the University of Pretoria Graduate School of Business, the three-year performance figure placed the fund second only to Syfrets growth fund for the period. B/Day

The BoE fund grew 14,4% in value during the quarter, ending June worth R88,8m (March: R77,6m). 5/7/93

De Klerk said the rise stemmed largely from capital appreciation, although the fund also experienced a net inflow of investment. "We added Kloof, Anglovaal loan stock and Momentum counters to the portfolio during the quarter, and upped our holdings in Genbeheer and Richemont. All Lebowa Platinum shares were disposed of, while Sasol, Siltek and Anglos holdings were reduced."

The result of the changes was to increase gold exposure to 4,7% (March 1993: 1,7%), up exposure to mining financials to 14,9% (10,4%), and cut exposure in financial and industrial counters to about 69% (73%). Effective liquidity also dropped to 12% (15,4%). (58)

On market prospects for the year ahead, De Klerk said: "We feel the break in the long-term downturn in the gold price is supported by fundamental and technical factors, and a long-term uptrend is sustainable."

The prospects for gold and mining financials continued to improve, and BoE had adjusted the portfolio accordingly. "Sharp pullbacks in the gold price are, however, likely and will be used to increase our exposure."

The fund's performance compared with an annual inflation rate of 10,6% in May and a 15% rise in the all share index in the year to June.

Price rise sends many funds into gold shares

Star 6/7/93

By Alide Dasnois

CAPE TOWN — Unit trust quarterlies published this week show most funds rushing into gold shares to take advantage of the gold price boom.

Some, like IGI or Metfund, have sold off industrial shares to invest in golds. Others, like Sanlam, used cash.

The JSE gold index rose by nearly 60 percent in the quarter ended June 30, compared with only six percent for the industrial index.

IGI Unit Trust's portfolio managers decided in February to move into golds, buying into Beatrix, Randfontein, Anglos, GFSA and Amgold and raising its holding in Vaal Reefs.

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The fund sold off its PP Rusts, Safren and AECI counters, and reduced by half its holding in Rembrandt and Rembeheer.

"We felt that at current price levels the Rembrandt shares were fully valued and we decided to lighten our holdings to go into golds," said IGI's Peter Linnell.

At the end of the quarter IGI held 27 percent of its funds in gold and mining shares, 58 percent in financial and industrial shares and 15 percent in cash.

The fund showed a return (capital plus income) of 10,8 percent over the year.

Norwich Unit Trust also moved into golds during the quarter, buying Driefontein, Genbel, GFSA, Harties, Highstone, and Kloof.

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Mining shares accounted for 50 percent of equity investments at the end of the quarter.

Unit trust payouts

Nearly R13 million will be paid out to Old Mutual unit trusts investors in distributions at the end of August.

Five of Old Mutual trust funds declared distributions on June 30: Star 6/7/93

Old Mutual Growth Fund, launched in April, has declared its first distribution of 2,96c per unit for the three months to June 30. R2,1 million will be paid out.

Old Mutual Top Companies Fund has declared 4,67c per unit for the six months to June. A total of R3,7 million will be paid out. (58)

Old Mutual Mining Fund has declared 4,65c per unit for the six months to June. A total of R1,9 million will be paid out.

Old Mutual Gold Fund has declared 2,19c per unit.A total of R1,2 million will be paid out.

Old Mutual Income Fund has declared 3,88c per unit for the three months to June 30. A total of R4,76 million will be paid.

12-month return

At the end of the second quarter, **Fedgro Unit Trust** posted a 12-month return of 14,6 percent, the fund managers said yesterday. An income distribution of 2,79c a unit has been declared for the six months.

The market value of **GuardBank Growth Fund** at June 30, excluding compulsory charges, totalled R1,797 billion. Income distribution was 50,43c per unit (1992: 51,20c per unit) for the six months to June.

GuardBank Industrial Fund distribution was 2,58c per unit (1992: 1,64c per unit) for the six month to June.

GuardBank Resources Fund had income distribution of 3,25cper unit (1992: 3,75c per unit) for the six months to June.

GuardBank Income Fund showed 17,19 percent growth, with income distribution of 3,66c per unit for the three months to June.

Absa's three unit trusts achieved good returns in the June quarter, fund managers said.

The **General Fund** recorded a 15 percent return (capital growth plus dividends), while the **Industrial Fund** yielded 8,4 percent.

Absa's **Income Fund**, the latest addition to its stable,paid a maiden dividend of 3,7c and returned 14,4 percent on an annualised basis.

The General Fund's assets grew by 18,5 percent to R118,5 million in the quarter. — Sapa.

Fund managers bullish on gold

By AUDREY D'ANGELO
Business Editor

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THE managers of at least four unit trusts — the huge Guardbank Growth Fund, Norwich and NBS Hallmark and the Board of Executors (BOE) Growth Fund — clearly take an optimistic view on the outlook for gold, at least in the short term.

Results released yesterday show that all increased their gold holdings in the last quarter.

Guardbank and Norwich also invested more in rand hedge shares, in anticipation of a continued weakening of the SA currency — which in fact fell to R3,34 to the dollar and R5,05 to the British pound yesterday afternoon — and an upturn in overseas economies.

John Bowman, director of the Norwich management company, said that the fund managers "remain confident on the bull market in precious metal prices."

"We are pretty happy with the way things are going — we think we are in the fairly early stages of a bull market. There will obviously be volatility on the way but I don't think this (rally in gold) is coming to an end."

Among reasons for optimism, Bowman said commodity prices would improve as the major economies moved out of recession, with gold leading the way.

"Inevitably, there will be a bit of international inflation" accompanying this recovery.

Physical demand for gold had improved and would continue to do so as economies strengthened.

David Golembo of Guardbank Management Corporation said the Growth Fund had invested in the last quarter in rand hedge shares and in mining shares — which included 10 000 Amcoal and 5 000 Rusplats as well as 45 000 Anglos.

"In the short term gold looks quite well under-pinned," he said cautiously, "But we must recognise that the gold share market has moved up 150% in six months. There has to be some volatility ahead."

CT 6/7/93

Golembo said the fund managers tried to look from two to three years ahead and had been positioning their portfolio over time.

Inflation rate differentials meant that the rand must continue to weaken against other currencies. "We see a continued softening of the rand."

Discussing the purchase of 200 000 First International Trust (FIT) and 200 000 Chartered Consolidated shares during the quarter, he said: "We do believe the British economy has hit bottom and turned around.

"We feel there will be continued organic growth from our rand hedge investments as well as (exchange rate) profits resulting from the weaker rand."

Discussing an increase in the equity content of the fund to 80,72% from 76,35% at the beginning of the quarter — and a new holding of R14m Elfi IV Bull 1994 (an Elfi bear holding was sold earlier) — Golembo said the fund managers considered the SA economy was now bumping along the bottom, and that there would be an infusion of funds following a political settlement.

● Unit trusts results — page 13

NBS Hallmark fund earns 15%

BIDay

MZIWAKHE HLANGANI

NBS Hallmark Mutual Fund earned a return of 15% for the year ended June 1993 and increased its assets to R56m, MD Ken Burns said yesterday. 6/7/93

He said that since its launch in August 1988, the fund had achieved an annual return of 21%. (58)

The fund sharply reduced its liquidity and gilts from 21% at end March to 14% at end June.

This reduction in liquidity had been switched to the mining sector during the quarter, which had increased from 18% to 25%.

Included in this, the gold content of the fund had risen from 4% to 6%, Burns said.

Bank and financial services and industrials remained unchanged over the quarter at 14% and 47% respectively.

Burns said that in the latest quarter, fund managers bought De Beers, Anglos, Gold Fields and JCI. A new industrial share, SA Druggists, was included.

Apart from the sale of the gilts in the portfolio at end-March, there were no other sales during the latest quarter.

Burns said fund managers would continue in the short term with their policy of maintaining lower liquidity levels in view of the positive factors in the market at present.

These included the recent lower inflation rate, lower SA long-term interest rates, the sharply higher rand gold price and the more positive overseas sentiment towards SA, which had been encouraged by the recent progress in political negotiations, he said.

African Bank is optimistic

B/Day

MZIWAKHE HLANGANI

DESPITE adverse economic conditions in SA, the African Bank is optimistic it will maintain its financially sound position, chairman Sam Motsuenyane reported in the bank's recent 1993 annual review. 6/7/93

He said among the factors justifying confidence were the reintegration of SA into the world and the significant drop in SA's inflation rate.

The review said the bank had enjoyed steady growth in its deposit and asset base in the 18 months to end-March, in spite of depressed socio-economic conditions. (58)

The bank continued to monitor its credit risk exposure and adequate provisions for potential doubtful accounts had been raised.

Motsuenyane said the bank's capital available at end March exceeded the current 6% legal requirement but normal retained income from operations was unlikely to meet future requirements, which were likely to rise to 8% of risk-weighted assets by 1995.

CE Jack Theron said the bank believed its future growth lay in the development of small- and medium-sized businesses and housing.

It was committed to such development as vital for economic growth and the alleviation of unemployment in the country.

Theron said home loans were 30% of the bank's total advances book and a specialised home loans department had been established.

The bank had also increased its activity in housing and was presently negotiating with major parties for the release of further investment funds into housing.

Theron said the bank was looking to meet the specific needs of its target market and had in fact succeeded in creating partnerships with the communities it served.

COMPANIES

Metals 'will underpin market'

DUMA GQUBULE

MANY sectors of the JSE were in expensive territory but strong precious metal markets and the expected medium-term economic recovery would underpin the market, GuardBank Fund managers said yesterday. B Day 6/7/93

Releasing quarterly results for the group's four unit trusts, they said the performance of commodity and base metal prices in general, and the gold price in particular, would provide overall market direction. (58)

GuardBank Growth Fund, the country's second largest unit trust, with assets of nearly R1,8bn, continued to outperform the all share index with a return of 20,7% for the year ended June.

This compared with the actuaries all share index which, adjusted for dividend reinvestment, reflected an overall return of 15,38% over the period.

The fund, also the industry's best performer over the past seven-, 10- and 15-year periods according to a recent Pretoria University survey, increased its assets to R1,8bn from R1,6bn at end-March.

During the quarter, fund acquisitions were concentrated in the mining sector and rand hedge stocks. The fund's equity content was increased to 80,72% from 76,35% at end-March in anticipation of stronger equity markets.

Recently established GuardBank Industrial Fund achieved a 28,35% return, significantly outperforming the financial and industrial index's 12,31% over the same period. The size of the fund increased 24,42% to R18,73m compared with R15,05m at end-March.

GuardBank Resources Fund underperformed the gold index, but was the best in the GuardBank stable with a 26,08% total return. Total assets increased to R54,49m, from R45,93m at end-March, and the equity content was increased to 85,91%, from 82,91% at end-March, in anticipation of improving mining markets.

GuardBank Income Fund achieved a return of 17,19% for the 12 months ended June, outperforming the inflation rate, fund managers said. During the quarter, interest rates rose initially, but later declined to close the quarter below those prevailing at end-March.

Fund managers said money supply and inflation indicators had continued to move in the desired direction. The depressed level of economic activity was likely to ensure that final demand remained subdued for the rest of the year.

They expected short-term interest rates to reflect a moderate decline from current levels over the remainder of the year.

Norwich fund earns 21% return

7/7/93 LINDA ENSOR

CAPE TOWN — Norwich Life's unit trust achieved a 21,1% return in the year to end-June compared with the growth in the all share index of 15,5%. B/Day

By the end of the quarter mining shares constituted about 50% of all equities, with rand hedge stocks well represented among the non-mining shares. (58)

Liquidity was down at 9,6% compared with the 19% at end March; 7,3% was held in fixed interest stock to benefit from the higher yield available than on cash.

The activity of the Norwich unit trust managers during the quarter was concentrated on increasing the mining content of the portfolio, with increased holdings in Amgold, NBS and Remgro. New holdings were established in Driefontein, Genbel, Gold Fields, Harties, Highstone, Kloof, Lonhro, Randcoal and Sappi. At the end of June the top five holdings were Anglos, Liberty Life, Messina, Remgro and Richemont.

Fund managers remained confident about the bull market in precious metal prices being maintained.

Bad debts weigh on Boland Bank

BDay 7/7/93

LINDA ENSOR

CAPE TOWN — The level of Boland Bank's bad debts continued to remain high as the recession sent increasing numbers of businesses and private individuals to the wall, group financial GM Fanus Kemp said yesterday.

Kemp, speaking at the release of the annual report, did not foresee any easing in the situation this year, but was hopeful of an improvement in the future.

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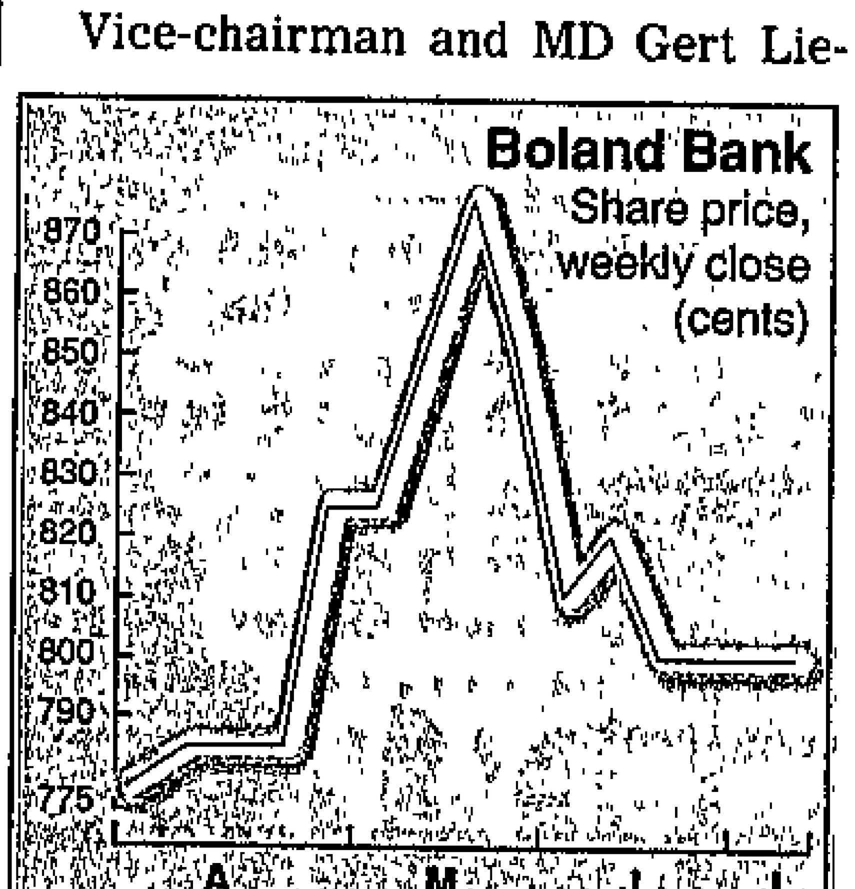
Boland Bank provided R55m for bad and doubtful debts as well as for tax in the year to end-March 1993. This gave it a net after-tax income of R21,8m on a pretax, pre-provision income of R77,7m. Even assuming a 40% tax rate (Boland's undisclosed tax rate is lower than this), the ratio of bad debts to total loans and advances would be higher than the 0,75% considered normal for the banking sector in good years.

Vice-chairman and MD Gert Liebenberg noted the bank's bad debts had offset net interest income to a great extent. Chairman Pietman Hugo said profit performance in the current year would depend largely on success in managing existing credit risks.



Graphic RUBY GAY MARTIN Source I-NET

The bank would continue to adopt a conservative approach to financing.

Kemp said yesterday the R101m derived by Boland Bank from its recent rights issue had been invested in preference shares and would have only a marginal affect on results to end-March 1994.

As at end-March, the bank's capital ratio amounted to about 8,85% of its risk-weighted assets.

Kemp said returns on the investment of the funds raised in the rights issue would be used mainly to service the 12-million, 9,25%, partly redeemable/compulsorily convertible preference shares issued.

At the March year-end the equity accounted value of Boland's total assets amounted to R3,7bn (R3,5bn), total deposits R3,2bn (R3bn) and capital and general reserves R258m (R141m). Earnings a share of 179,2c (159,9c) were generated and a dividend of 3,2c (3,1c) declared. Operating expenditure, despite a number of cost increases, amounted to about 3,9% of the bank's average assets.

Liebenberg pointed out that despite a concerted effort by Boland to expand the contribution of its non-interest income to total income, financing remained the bank's single most important source of income.

Reserve Bank acts to halt rand slide

BDay 7/7/93

TIM MARSLAND

AGGRESSIVE Reserve Bank intervention forced the rand back yesterday to close at R3,3463 against the dollar from a previous R3,3448 and a morning low of R3,3650.

Dealers said some local players were caught off-guard by the Bank's move, after their speculative plays based on expectations that the rand would weaken further.

Dealers were critical of the method of Bank intervention because it had borrowed dollars in the forward market before selling them in the spot market. They said the Bank had used this method often over the past few months, and they feared heavy losses could be mounting up in its forward cover book. Yesterday's purchase by the Bank was put at about $100m.

Dealers also said the Bank's intervention could be putting reserves under pressure. The Bank is due to release data on reserves this week.

The position on the reserves prompted caution in the capital market, where dealers were said to be "twitchy". The market saw a "poor" reserves figure as the only factor blocking a cut in Bank rate. A dealer said the market expected a poor figure but a good one would see rates resume their bullish trend.

(58)

The key Eskom 168 long bond closed at a yield of 14,415% from a previous 14,380% in a largely speculative market.

Investment property value outpaces JSE overall index

B/Day 7/1/93

ANDREW KRUMM

GROWTH in investment property capital values beat the JSE overall index in 1992, the latest benchmark Dunlop Heywood Investment Property Index shows.

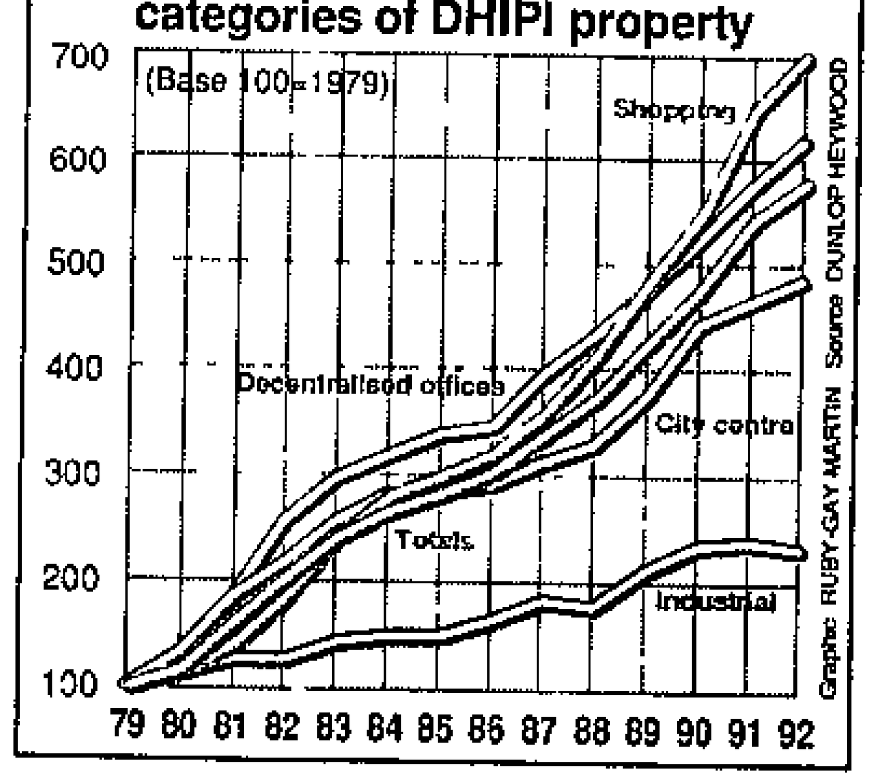
Dunlop Heywood director Ian Mitchell said: "The (Dunlop index) stood at 1 478 for the year to end December 1992, representing a 6,6% growth in capital values, compared with a 5% decline in the JSE overall index during the period."

Noting that the 14,7% total return on the R7,75bn portfolio far outperformed the -2% return on the overall index, Mitchell said the Dunlop index portfolio's performance was a reliable indicator of market performance.

"As the portfolio includes nearly a third of all pension and provident fund property investments in SA, the index offers a reasonable sample of the performance of those portfolios, and thus the market."

Comparing the performance of the various investment sectors in the portfolio, he said the residential/tourism element performed "brilliantly", as capital values grew 26,97% during 1992. However, as this element reflected the performance of a few well-located, successful hotels which made up only 2,48% of the total portfolio, it had no significant impact on the index.

Comparative performance for various categories of DHIPI property



The shopping element of the portfolio, which took second spot in the performance stakes, delivered 7,85% growth in capital value. Shopping complexes made up 53,88% of the portfolio by value, and represented nearly one-third of all shopping centres bigger than 20 000m² in the country.

The value of decentralised offices in the portfolio grew 5,19% during 1992, to make up 18,94% of the total. Properties located in CBDs averaged 4,1% growth and made up 22% of the portfolio at end December 1992.

The value of industrial properties in the portfolio declined by 2,75% in 1992, Mitchell said. This resulted largely from the concentration of older properties in the portfolio, and the cost-conscious attitude adopted by industrial tenants in the recession.

"Many industrial properties are older, and not linked to turnover rentals, and so returns decline over time. Tenants' reluctance to accept higher rentals in a recession exacerbated the situation."

(58)

Mitchell added, though, that industrial properties made up only 2,71% of the total portfolio and had little influence on the index.

Pointing out that the index's 20,95% total annual return for the 14 years to end 1992 beat the 17,7% return on the overall index, Mitchell said he was optimistic that total returns on balanced property portfolios would continue to beat inflation.

Political situation blamed for heavy capital outflow

(58) ARG 9/7/93

□ Reserve Bank lending rose R1,2 billion to R4,4 billion

DEREK TOMMEY

JOHANNESBURG. — The heavy capital outflow from South Africa last month and the resultant drain on the internal money supply can be blamed mainly on current political uncertainty, according to Mr Andre Hamersma, a general manager at Standard Bank.

The outflow highlighted the need for politicians of all parties to improve confidence in the country, he said. There could otherwise not be an economic recovery.

The latest Reserve Bank figures showed that because of the heavy outflow in June, foreign exchange reserves fell by R389,5 million to a two-year low of R7,5 billion.

But for the 4,8 percent devaluation of the rand in June, the reserves would have dropped to R7,1 billion.

The Reserve Bank figures also showed it increased its lendings to the commercial banks by R1,2 billion to R4,4 billion in June.

It was believed this was necessary at least partly to offset the outflow of funds from South Africa and prevent a sharp increase in interest rates.

Mr Hamersma said most of the outflow last month was probably capital repayments.

He believed that if the political climate had been better, this loss of capital would not have occurred.

"But if the situation is reversed and we get a much improved political climate, the economy could turn around dramatically," he said.

The political situation was not only causing an outflow of money, but was preventing money from coming into the country,, he said.

Expert sees rand's role as regional currency

B Day 9/7/93

MZIWAKHE HLANGANI

THE rand could become the common currency for southern Africa by the turn of the century, says Eastern and Southern African Trade and Development Bank president Martin Ogang. (14)

In an interview with Business Day yesterday, Ogang said the "dominance attached" to the rand strengthened the possibility of a full monetary union in the region, and the Development Bank would support efforts by the sub-region's governments to achieve monetary union.

A single capital market for the region, similar to the EC, should be introduced. This would be positive and beneficial, despite the recession and the unemployment crisis, he said. (58)

The Development Bank promoted "harmonious" trade and financial policies in the region, through the facilitation of tourism and trade.

SA had the strongest economy and was regarded as the locomotive for economic growth in southern Africa.

Ogang added that promoting trade within regional states would create substantial growth for the region.

He said the regional governments had started "liberalising monetary policies and restrictions", which he said would benefit trade and economic growth for the region.

A recent example was the Zimbabwean change in currency regulations to allow citizens to hold bank accounts in foreign exchange.

The sub-regional states shared high unemployment and poverty, unlike the industrialised European countries, but trade and investment between SA and neighbouring countries would flourish because of the emerging political stability.

This made a monetary union more realistic for co-operation in shaping the regional economy, Ogang said.

He said the regional economy was poised for improvement, which would make it possible for regional states to cooperate in building an economically viable region because of its natural resources.

Reserve Bank gold reservoir drained

CT 9/7/93 (58)

By ANDY DUFFY

JOHANNESBURG. — The reservoir of gold held by the Reserve Bank had been drained by more than a quarter since December, as SA struggled to meet its debt obligations.

According to figures released by the Bank earlier this week, its gold holdings, which form a major part of foreign exchange reserves, fell to 4,9-million oz in June as the Bank attempted to generate vital foreign currency.

The figure, the lowest for two years, represents a significant fall from the level just six months ago when gold holdings stood at 6,46-million oz, and a fall of nearly 28% over the year.

Reserve Bank Governor Chris Stals has consistently stated that the Bank must build up bullion reserves — but stocks have suffered a month-on-month decline from a high of more than 7-million oz last November.

Though economists believe the Bank may have tried to exploit the rising gold price through sales, much of the heavier selling took place earlier in the year, when the metal was languishing at the $330 level.

However, much of the gold will have been swapped rather than sold, though the Reserve Bank declined to detail what proportion had been swapped.

Bank gold and foreign exchange GM James Cross said yesterday the decline in gold stocks merely reflected the overall fall in reserves. It did not contradict Stals's policy because gold, as a proportion of total reserves, remained at a high level. The pressure on reserves would also taper off, because foreign debt obligations after July would be substantially reduced.

However, economists said the figures underlined the dire state of the country's reserves, which dropped R389m to R7,5bn in June — a fall of 26% on the year — under the pressure of increased capital outflows.

"This is a hefty drop," said Nedcor Bank chief economist Edward Osborn. "They (the Bank) have obligations to meet which cannot be reneged on. This is the basic reason why the Reserve Bank is maintaining a very strict monetary."

Old Mutual chief economist David Mohr said the Bank had been forced to dig into its gold reserves because other reserves — such as currencies — were nearing exhaustion. These stood at R1,9bn in June, down more than a third on December's R3bn, and just 45% of the level a year earlier.

Biting the bullet

LONDON. — SA may face an "acute" foreign exchange problem in 1994 if the new arrangement for the $5,2bn standstill debt includes a large "bullet" payment in the first year, says the latest quarterly report from the London School of Economics Centre for the Study of the SA Economy.

The report says that while precise details of the latest proposals are not public, "the outlines are now evident" and envisage stretching out repayments of all outstanding debt owing since 1985 — the $5,2bn in the standstill net and the $12bn outside it, in bonds and exit loans taken up in the 1980s — to 2001, a year later than previously expected.

According to the Centre the deal "reportedly" includes a possible increase in the interest rate and a "large bullet payment in the first year".

The size of the "bullet" is not given in the report but according to other banking sources in London it could be as much as $600m.

COMMUNITY BANKING FM 9/7/93

No panacea for the disadvantaged

It may sound politically correct, but it's a half-baked idea

(58)

The launch of a community banking trust is all very well. There are those who will benefit and in the lexicon of banking arrangements it could have some meaning. But it is no substitute for formal banking nor should it be seen as a means of addressing what the politically correct imagine are the inadequacies of the established banks.

Among them are those who would like to see our sophisticated banking sector used, guided by a government-controlled central bank, as the conduit of savings towards socially and politically correct investments.

The outcome would be massive waste. Resources would be misallocated just as they have been by similar attempts at government-directed lending both here under NP governments and in the rest of Africa where, for the best of motives, similar practices did more to entrench poverty than reduce it.

If you are wondering why the announcement of a community banking trust should draw a response as direct as this, reflect on the reason given for this very reasonable development: the inadequacies of the large established banks. But they are by no means inadequate. Indeed, they are among the most sophisticated in the world and provide a competitive, cost-efficient service to their appropriate customers.

They were established to finance the movement of goods and provide an efficient payments mechanism. They were never intended, nor should they be intended, to provide rapidly urbanising masses with the means of financing cheap dwellings.

Those who argue that financial institutions deliberately discriminate against blacks have little knowledge of the financial services industry. If there was money to be made, you can be sure bankers would be there, regardless of race, gender or creed.

Formation of the community trust follows a detailed investigation by Perm ex-MD Bob Tucker, Civic Associations of Johannesburg's Cas Coovadia and community banking specialist Hank Jackelen. The findings persuaded the Council of SA Banks (Cosab) to support a detailed feasibility study. The trust has nominated eight representatives and the big banks four to steer a detailed investigation into the technical banking aspects of the project.

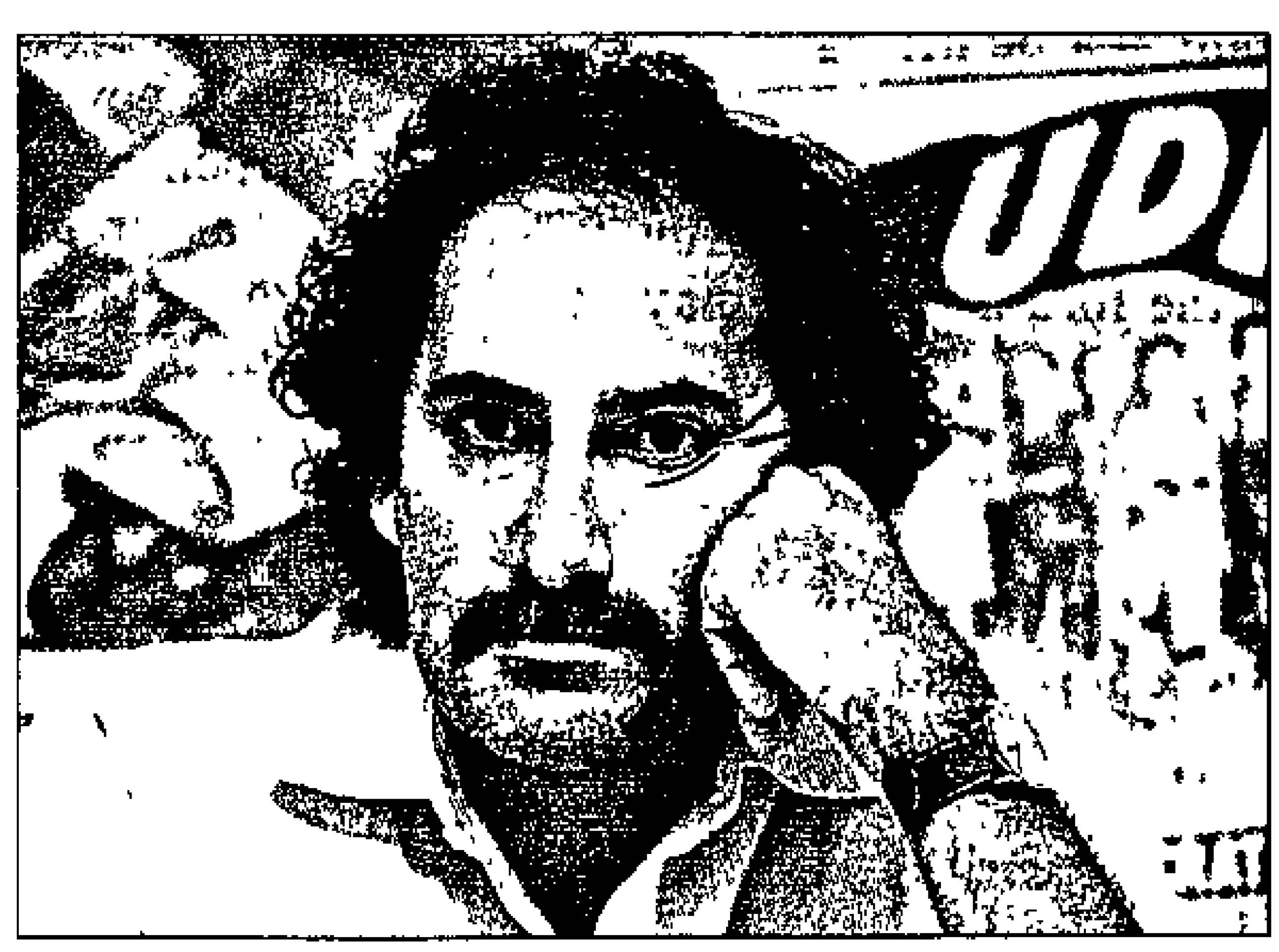
It will be subject to the long-awaited Mutual Banking Bill, which was inspired by the need to provide special banking services to poor communities. Under this law community banks will be able to operate as mutual societies — owned by participants rather than shareholders — guided by elected local boards of directors, but administered centrally.

The minimum capital requirement will be R10m, with lending ratio restrictions along the lines required for equity banks.

Cosab appears to be approaching the project with caution. So, enthusiastic as the steering committee may be, it would be wrong to foster expectations that massive financial support on easy terms will be rapidly and automatically forthcoming.

Coovadia argues that people's banking will not "absolve the big banks of their responsibility" to promote access to banking facilities by that large section of the community that has never enjoyed access to them. Therein lies the rub.

That type of broad and ill-defined "responsibility" is an illusion. Banks, by providing customers with adequate services and employees with competitive remuneration, have a responsibility to give their shareholders competitive returns. If they do not, shareholders will take their capital elsewhere. Institutions which pay only lip service to that basic responsibility do so at their peril. Ask Tucker about his experience at the Perm.



Civics' Coovadia ... *emulating Sanlam*

Of course, some big banks have small business units. These may in time provide new and profitable marketing directions.

Standard Bank's André Hamersma admits there are gaps in the provision of financial services to disadvantaged communities. He recommends the establishment of a financial services forum to debate ways and means to remedy them. He believes community banking can offer not only borrowers, but also savers, basic services at low cost based on low overheads. But this would still need to be done on an economic basis and not, in his view, as a sop to radical opinion.

On the other hand, a merit of community banking may be that these initiatives, which will undoubtedly be faltering and frustrating, could deflect radical opinion away from direct interference in the formal banking system, which would damage economic growth, while enabling unsophisticated communities to learn not only about financial services but how to run banks.

Collectivists forget that most banks, indeed most large business undertakings, were once small. Modern building societies grew out of small impermanent mutual societies.

Coovadia regards the mission of community banking as empowerment of disadvantaged communities to give them some control over their own financial services. Santam, Sanlam and Volkskas are worth emulating.

But for the time being community banking aspirations should be seen for what they are: a grass-roots manifestation of financial entrepreneurship. They won't deliver the commanding heights of the banking and financial system to what collectivists call "the people". Indeed, the experience of Anglophone black Africa shows that efforts to help small business and the disadvantaged generally through bureaucratic interference with banks were seriously misguided.

First National Bank's Barry Swart, in a speech in 1990, defined two important banking functions: providing an efficient payments system and intermediating between savers and borrowers. The bulk of the large funds (some R160bn) then under administration belonged to depositors.

Despite the size and sophistication of the banking system, many potential customers, said Swart, remain unbankable. Modern banking is a high volume, low margin business. Lending carries high risk, and banks have a prime responsibility to protect depositors.

If depositors' confidence falters, savings go back under the mattress. The risk of defaults by lenders lies with bank shareholders. If only 1% of money lent is lost, this could represent 20% of shareholders' funds. So banks lend only to individuals and businesses which have "financial capacity," or the means to service the debt.

If in the new SA banks have to deviate from sound banking principles, bad debts and costs will rise. Moreover, the banking criteria that apply within SA have even greater force internationally. To be accepted back in the international banking community, SA's banking institutions will have to conform to world standards.

P.T.O.

FM 9|7|93

(58)

THE RAND

Things are not what they seem

No one tracking the recent performance of the rand would think there is anything going for the unit. Last Thursday it fell to a record low of US29,5c. And, after an upward blip on the Friday morning following — to just over US30c — it lost almost all the gains by Monday's close.

Yet, apart from the erosion in value caused by an inflation differential between SA and trading partner countries, the rand's medium-term outlook is encouraging.

On the face of it the domestic currency has seldom, since the early Eighties, been better placed. The price of gold, the country's chief export, has risen dramatically — from $326/oz early in March, to around $387 at the start of this week and over $390 on Tuesday. In the five months to May, the item "other unclassified" which is largely gold, represented about 37% of export income, so an improvement in the prospects for gold would have a substantial effect on the trade balance.

And the price of oil has fallen about $2 in that period, to under $17 a barrel on international markets on Friday. This is not a factor that the domestic currency market immediately responds to but it has considerable medium-term importance. In the five months to May, the trade category "other unclassified", which is mainly oil, represented about 10% of imports.

There are other reasons the unit could be expected to be performing better. Last Friday came news of a potential $850m IMF loan; at Kempton Park "sufficient consensus" was achieved to finalise the election date, provisionally set for April 27, 1994; and gold breached $390 for the first time since the Gulf War. The metal price is showing great resilience after a remarkable rise.

Yet, despite a significant improvement in the terms of trade and the announcement that IMF facilities would be available, the rand is about 5% lower against the dollar than it was in the second week in March. This came as the US currency fell from around Y118 on March 15 to Y109 on Monday morning and was little changed against the mark, from about DM1,66 to DM1,69 on those dates.

Against a trade-weighted basket of currencies, the depreciation has been less than against the dollar; but that it has taken place at all is significant. The policy of the Reserve Bank is to keep the domestic currency stable, in real terms, against the basket. This means any fall against the dollar usually brings a compensatory increase against the cross currencies. On this occasion it has not happened (see graph).

This is an indication either that the Reserve Bank has not had the resources to intervene effectively or that Reserve Bank Governor Chris Stals is taking advantage of the lack of inflationary pressure in the economy to allow the rand to depreciate. This will either boost exporters' income in rand terms or give them the opportunity to price competitively in world markets.

The flip side of this is that a depreciating currency means higher import prices. Which may be why the Bank allowed the currency to rise 2%, in real terms, against the dollar last year. With inflation a priority, Stals may have opted for a stronger rand last year. However, right now could be a better time to reverse that trade off.

This process would help reserves to recover from the recent slide — from R11,5bn in August last year to R7,9bn at the end of May.

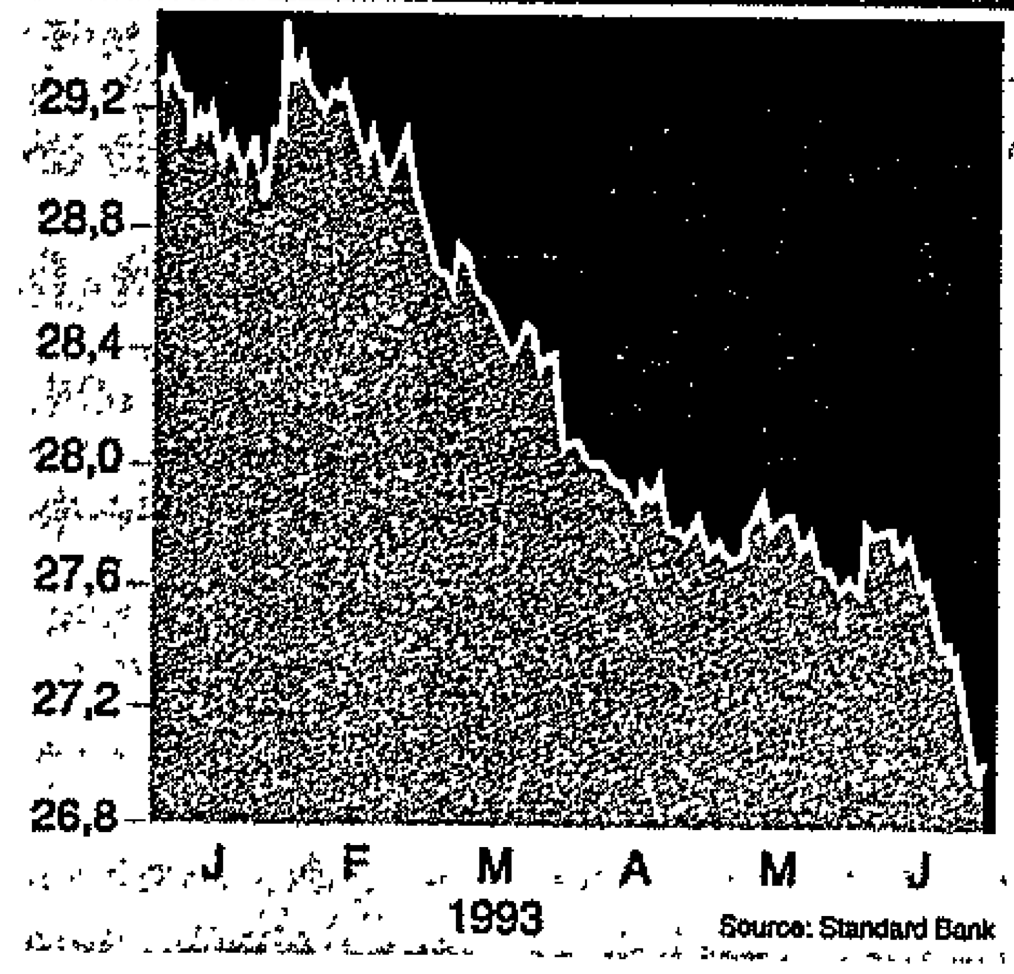
Old Mutual's Ursula Maritz says about $1,6bn in debt in and outside the net is due for repayment this year. She says a significant factor in the outflow has been the repayment of debt outside the net. For instance, the failure of public utilities to roll over foreign loans, because of the high risk premium attached to the cost of borrowing offshore, since Boipatong in June last year.

This was accompanied by some degree of disinvestment. Certainly there were outflows not related to debt repayments.

But an indication that investor sentiment is not unfavourable comes from JSE figures on listed securities. Though the sale and purchase of these assets do not directly affect reserves, because they are conducted through the financial rand, it is an important indication of confidence.

Long slide

Nominal effective exchange rate of the rand (1979=100)



And, despite the assassination of Chris Hani in April and its destabilising aftermath, investment flows over the four months to April were favourable *(Economy* July 2). The Reserve Bank Quarterly Bulletin records that:

- ☐ Net purchases of shares by non-residents rose from R600m in the last four months of 1992 to R1,8bn in the first four months of 1993; and
- ☐ Net purchases of public sector stock amounted to R300m in the first four months, afer net selling of a similar amount in the last four months of 1992 *(Economy* July 2).

JSE figures show, in May, there were:

- ☐ Net equity purchases by non-residents of R570,4m; and
- ☐ Net gilt purchases of R106,7m.

Damage was done in June, when a R199m net purchase of gilts was wiped out by a R203,8m net sale of equity to produce a net outflow of R4,8m.

Instead of countering debt repayments, investment flows through the JSE moved in the same direction — out.

A factor which is not sufficiently recognised, says Nedcor Bank's Mark Parker, is the growing role of hedging transactions in the forex market. Though, over a longer term, these would move in the same direction as underlying transactions, they may cause huge one-off distortions in a thin market, on settlement dates, says Parker. Cont P

AFRICAN BANKING

As trade and financial doors are opened to SA in other African countries, businesses and institutions will need to learn more about banking in the rest of the continent.

The African Banking Conference, organised by AIC Conferences and sponsored by Meridien Biao, will provide the insights needed. The conference, at the Sandton Holiday Inn on August 18-19, is presented in association with the *FM*. Keynote speakers are: Paul Popiel, senior financial economist for the Africa region at the World Bank, and Babacar N'diaye, president of the African Development Bank in the Ivory Coast.

Other speakers include representatives of the Reserve Bank, the SA Foreign Trade Organisation and commercial and central banks in Africa.

The fee is R2 154,60 a delegate, including Vat, and a discount of 10% is available to organisations sending three or more people.

For more information phone (011) 803-9680 or fax (011) 803-9684.

P.T.O

PROPERTY INDEX FM 9/7/93

How credible is it?

Is property still the best investment? Valuer Dunlop Heywood believes it is, maintaining that its latest property index shows that over the longer term, an investment in property will outperform one in JSE shares.

That's a controversial view, given that much depends on the basis of calculation and the period over which the comparison is made. Certainly, there is no shortage of contrary voices within the property industry and the JSE claiming empirical evidence to prove the contrary.

The Dunlop Heywood Investment Property Index compares a mixed portfolio of R7,75bn worth of commercial, industrial, hotel and residential properties against the JSE's Overall Index in terms of total returns and capital values.

The index, which rose in capital value by 6,6% (to 1478) in the year to December 1992, compares with a decrease of roughly 5% in the value of the JSE's Overall Index over the same period. Measured in terms of total annual return (income yield and capital growth) over the same year, the index showed a total return of 14,7%, compared with a 2% decline in the JSE's Overall Index, including dividends.

In the longer term, over the 13 years since 1979, the total annual returns of the property index and the JSE Overall Index are 20,95% and 17,7% respectively.

Of course, the measurement of performance is dependent on the period over which the comparison is made. For example, the stock market doubled its value between 1977 and 1979 — a fact which has been excluded from the above comparison. Similarly, if the period were extended to include the period to June 30 1993, the value of the JSE Overall Index would have risen 19,08% with probably little change in the property index.

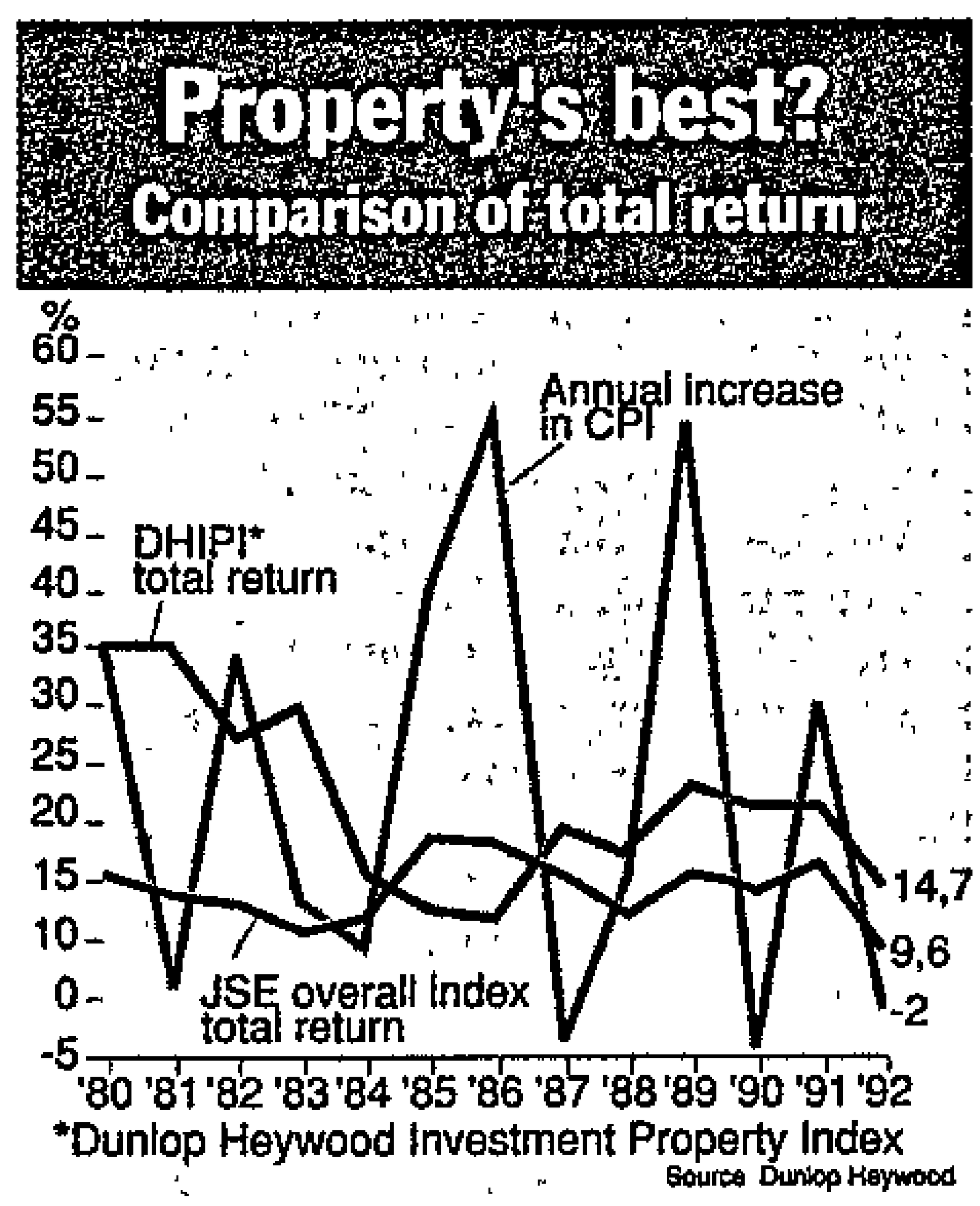
In addition, Dunlop Heywood's portfolio consists of a selection of properties heavily weighted in favour of shopping centres, whereas the JSE Overall Index is not so discriminating. Furthermore, its portfolio is not fully representative of the whole property market.

Dunlop Heywood joint MD Ian Mitchell is quick to point out that its portfolio contains its share of "dogs", but questions persist on the fairness of the analogy.

As Mitchell attests: "The composition of the portfolio has continued to evolve as property managers try to ensure that their portfolio is made up of well-located premises, fully let to good tenants, known as Grade A buildings. The demand for this quality of building continues to be high and the composition by value reflects some changes (1991 figures bracketed):"

- □ City centre properties make up 22% of the portfolio (23,29% in 1991) — with an annual growth in value of 4,1%;
- □ Decentralised offices 18,94% (17,56%) — growth of 5,19%;
- □ Industrial 2,71% (2,97%) — -2,75% growth;
- □ Residential/tourism 2,48% (2,15%) — 26,97% growth; and
- □ Shopping complexes 53,88% (53,97%) — 7,85% growth.

According to Mitchell, the portfolio's shopping complexes represent approximately a third of all shopping centres in the country with a rental area exceeding 20 000 m² each. Though the performance of



the shopping element is better than that of the overall property index, he says this is not common to all centres. Some have, in fact, declined in value, but Mitchell believes that once the economy improves their prospects for increased performance will improve.

The residential/tourism element largely reflects the performance of only a few well-located hotels, he says. As they form such a small part of the portfolio, they do not have a significant influence on the index.

Punting the use of the index by institutions, Mitchell says the properties in the portfolio represent about one third of the total investment by pension and provident funds directly into property. As such it is a reasonable statistical sampling of the performance of those portfolios.

Says Mitchell: "The DHIPI portfolio contains many excellent properties, but like every real portfolio, it also contains some dogs. We, therefore, believe that any property portfolio that matches or outperforms it is a portfolio of which property managers and investors can be proud."

Detractors of the index say most institutions use the mean property performance of pension funds (as contained in the Consulting Actuary Survey) and life offices to gauge property's performance. They say it is generally accepted that property has underperformed equities over the long term and that there is much empirical evidence to prove it.

Further, they say the DHIPI does not account for all the outflows involved in running a portfolio, including loss of interest on refurbishment finance. While it is generally known that shopping centres have outpeformed all other property types in the past decade, they suspect that some of the shopping centres included in the DHIPI portfolio may be overvalued.

A spokesman for an institution which owns some of SA's best shopping centres says his finding is that equities have outperformed property over most periods. He says while wheeler-dealers might well have enjoyed more profitable returns from property, the DHIPI contains ungeared institutional type properties kept on a buy-and-hold philosophy.

Mitchell's response: "I don't deny that the capital value of equities has tended to outperform the capital value of properties. But, property shows a greater income return and if the two elements of income and captial growth are considered, the overall performance is similar. The relative performance depends to a large extent on when the photograph is taken."

He adds that "all outflows are accounted for in the DHIPI performance. As regards the suggestion that some properties within the index have been overvalued, there is no market evidence to support that contention. In fact, the evidence is that such sales that have taken place were at or above the values incorporated in the index." ■

SANDY BAY

On shifting sands

FM 9/7/93

Absa's most recent proposal to develop 270 residential plots (20% of site area) on its Hout Bay hillside property which extends down to Sandy Bay, seems modest — even generous — considering Absa is willing to cede the rest of erf 3 366 Hout Bay to the authorities for it to be managed as a nature reserve. Its proposal also provides for better public access to Sandy Bay.

What Absa fails to note is that should the proposed nature reserve ever be rezoned to allow development, then as a condition of its offer, it will automatically repossess the land. Absa claims this reversionary clause is

New loan scheme for members of stokvels

Sowetan 9/7/93

By Mzimkulu Malunga

THE launching of a new scheme that will enable stokvel members to use their savings as security for loans has added some flair to the investment industry.

"The initiative represents a true joint venture between formal and informal sectors. It involves flexibility and adaptability on both sides and demands mutual respect and understanding," said the president of the National Stokvels Association of South Africa, Mr Khehla Lukhele.

Named "people's benefit scheme", the programme is a joint venture between Nasasa, the Development Bank of Southern Africa, First National Bank and unit trust company Board of Executors.

(58)

The scheme affords stokvel members an opportunity to choose between savings accounts, fixed deposits, unit trusts and loan accounts. All these sectors of investment can be used as security for loans.

For a stokvel to qualify for the scheme they have to save money for at least six months before making any withdrawals in their FNB group account.

Then after six months the group can apply for a loan from FNB. They can borrow up to one and a half times what they have saved in their account.

Khehla Lukhele ... it is like a dream come true.

For instance, if a particular stokvel saves R2 000, it can apply for a loan of R3 000.

The bank will look at the investment track record of that particular group when it applies for a loan. Loan repayment period is two years and the interest rate will be determined by the prime rate — interest rate levied by banks on loans by their best customers — at the time of the repayment plus five percent as opposed to the usual 10 percent.

Unit trusts

If a stokvel chooses a unit trust, the money will be saved in a newly launched unit trust company called the People's Benefit Income Fund managed by BOE. The establishment of the People's Benefit Income Fund has been financed by the Development Bank of Southern Africa and the Independent Development Trust to the tune of R18 million.

Profits accruing to the PBIF will be invested in the Nasasa Indemnity Trust. The trust will manage the loan facility for stokvels. Nasasa, FNB and BOE are the trustees. Individuals who want loans from the bank can only apply through their respective stokvels.

"We are satisfied with our contribution to the scheme as it provides sufficient comfort to the private financial institutions to enter the risk market and we hope this will inspire further initiatives in the same direction by other financial institutions," said DBSA general manager Div Botha.

For people like Lukhele the scheme is like a dream come true as they have always argued that although black people invested billions of rands in financial institutions through various township investment groups such as stokvels, they were unable to get loans.

In real terms the townships are subsidising the white suburbs. People in affluent areas have an easier access to loans because they meet the collateral requirements needed by the banks.

Also, due to the violence which plagues South Africa's townships, they are regarded as high risk areas making it difficult for people living there to be granted loans by banks.

AA Life fund's returns grow by 35%

Business Day Reporter

AA LIFE's Entrepreneur portfolio returns have grown by 35,2% in the year to end-June 1993, improving still further the year to March performance of 24,3%. BiDay 9/7/93

"Our Entrepreneur portfolio, which is managed by the Board of Executors (BOE), is still relatively small which allows us greater flexibility than most other funds," says Joe Gates, MD of the Anglovaal subsidiary. (58)

"The fund happened to be very liquid when the market dipped earlier this year and a combination of buying the right shares at the right time has resulted in the growth of 35%."

BiDay 9/7/93

Fund generates return of 19,3%

LINDA ENSOR

CAPE TOWN — Syfrets growth fund, with total assets of R1,04bn, generated a return of 19,3% in the year to end June and attracted a net R115m of new funds in the last quarter.

The growth fund, the largest in the Syfrets stable, declared an income distribution of 2,79c, bringing the total for the year to 12,78c a unit.

The fund's new portfolio manager, Guy Woolford, said holdings in mining financials were increased. New holdings included Nedcor, Stanbic, Dorbyl and Foodcorp.

Liquidity at end-June stood at 21,8%.

(58)

Syfrets' gilt fund, with total assets of R275m, produced an annual return of 16,3% and declared a quarterly income distribution of 32,24c, to give a total for the year of 131,68c a unit. A net R5,32m flowed into the fund during the quarter.

A net R52,4m flowed into the income fund, boosting its total assets to R760m. An annual return of 14,35% was generated by the fund and a quarterly distribution of 3,25c a unit was declared which resulted in a total payout of 13,81c per unit.

Income fund portfolio manager Rob Nichol said Syfrets remained bullish on interest rates. Long rates appeared to have discounted negative factors such as the size of the deficit and capital outflows, while responding more positively to the trend towards lower inflation.

The annual return of the Syfrets trustee fund, with total assets of R375m, was 9,3% and a quarterly distribution of 1,09c a unit was declared taking the annual total to 4,75c.

The fund's new portfolio manager, Jan Kuiper, said sales were made in Rustenburg Platinum while shares in RMB Holdings and Clinic Holdings were acquired.

The number of unit trust accounts held with Syfrets increased to 75 785 from 68 091.

MERHOLD/NEW REPUBLIC 58

FM 9|7|93.

Anxious to be quoted

In a deal designed to remove duplication and release synergies, New Republic Bank (NRB) has bought Merchant Trade Finance (MTF) from Merhold, the financial and investment arm of the SA Bias Group.

The *FM (Fox* June 25) can lay claim to prescience: we signalled the possibility of this transaction well in advance. Effective July 1, the price is approximately R45m, to be settled by an issue to Merhold of 14,2m NRB ordinaries, a 40,3% stake. Before the announcement, Merhold held 22,8% of NRB, so its total holding of 63,1% is above the 49% permitted by the Banks Act.

The bank's MD Mac Mia says Merhold's excess shareholding will be reduced when institutional shareholders Sanlam and IGI take up their rights. Bringing in an additional shareholder hasn't been ruled out.

NRB's pre-acquisition asset base was about R500m; MTF lifts it to R900m. Mia says it is expected to grow quickly and should top R1bn by next March.

This is possible, he says, because of existing synergies (the complementary nature of the businesses allows a more balanced lending portfolio); better utilisation of management skills; and economies of scale in terms of rationalisation, administration and technology. These benefits will allow an expansion of services.

It seems likely facilities provided by MTF, such as aspects of forex, letters of credit and commercial lending, will be expanded. The bank, Mia adds, will focus on creating a well-rounded financial institution. Though there are no immediate plans, he doesn't rule out expansion into areas such as unit trusts, insurance and home loans.

FOX

Seabrooke ... *adding a bank to his portfolio*

FM 9|7|93. 58

Rights issue

In March NRB held a R17,4m rights issue. Financing the MTF deal with shares should leave the bank relatively cash-flush. Mia concedes a further acquisition is in the pipeline, but won't be drawn further. Though management is vague about a possible JSE listing, it could come sooner than later.

Merhold proposes to change its name to Merhold Investment Corp (MIC). This, says chairman Christopher Seabrooke, will better reflect the nature of activities post-disposal.

Maybe, but I have a reservation: does an acronym MIC really get across what he wants? *Marylou Greig*

MMF FM 9|7|93

(58)

Wearing a new cap

Before the end of the month insurance companies should know how many "days" of third-party business they will be awarded. The days, allocated by the Multilateral Motor Vehicle Accidents Fund (MMF), have proved a profitable line for insurers who

p/ Cont p

(58)

act as agents.

On the days allocated, any accident involving a third party (unless it is a hit-and-run case) is automatically assigned to the insurer of the day, who receives a guaranteed payment for processing the claim.

The fund's system was heavily criticised in two official reports but an overhaul was not possible without the agreement of the departments of transport in SA and the TBVC states. It was also necessary to allow new CEO Willem Swanepoel time to settle in. He says the new structures for the fund — more than R3bn in deficit — have been approved.

The executive council is being replaced by a board. Swanepoel is a member, as are representatives of the five states who previously represented their regional governments. They are augmented by 10 others, including insurance and legal experts, actuaries, accountants and medical specialists.

More competence devolves upon the board, in terms of an agreement signed by all five member states. In consultation with Judge David Melamet, whose commission uncovered the shortcomings in the system, the board will implement other operational changes.

High on the agenda for the first meeting, Swanepoel confirms, will be the allocation of days to the insurers who act as agents for the fund. Melamet was critical of the manner in which some insurers processed claims, while Swanepoel has increased the staff of inspectors to supervise these agents. Swanepoel would also like more claims to be handled inhouse, gradually replacing the system of handing a cheque book and pen to the insurance companies.

Allocation of days is likely to be based on a pragmatic assessment of the insurers' managerial and systems capabilities.

Also on the agenda, confirms an MMF spokesman, is the subject of capping benefits to injured persons with legitimate claims against the fund. This is a complicated issue and unlikely to be resolved soon. The uncapped award system was a prime cause of the fund's projected deficit.

To fund an uncapped scheme, it has been estimated, would involve at least a doubling of the amount motorists pay towards the fund every time they buy petrol or diesel. Swanepoel knows the capping issue will be difficult: "We want the MMF to become a streamlined insurer with the interests of both the claimants and the premium-paying motorist at heart." ■

FM 9/7/93 .

Basserabie . . . *another rescue* (58) (~~282~~)

HCI FM 9/7/93

Lots of talking (58) (~~282~~)

Plans to recapitalise Hosken Consolidated Investments (HCI) are expected to be made known within a few days, after rounds of anxious discussions. The announcement is expected to accompany preliminary results which should show the full extent of write-offs relating to the liquidation of Tollgate —

* cont'd

FOX FM 9/7/93 (58) (~~282~~)

probably not less than R10m.

Backers for a possible R120m rights issue, likely to lead to a shift of control, may not be revealed yet.

When they are, two names seem sure to appear. Fedsure and Investec, linked by an earlier share-swap alliance, have been aggressively expanding into broader financial services activities. HCI 55%-held subsidiary IGI Insurance must be the main attraction for the insurer and the bank.

The *FM* understands talks with a third potential backer have fallen through, though another suitor could be found.

For HCI, with debt of R32m in its interim report, excluding its exposure to Tollgate and a R33m legal dispute with Absa, fresh capital is vital, even if that means relinquishing control (see *People* this week and *Leaders* June 4).

Shaun Harris

ECONOMIC CRIME ~~35~~ (58)

Silence in court

FM 9/7/93

Now the "right to remain silent" (*Economy* March 19) when interviewed by the Office for Serious Economic Offences is to be tested in the Pretoria Supreme Court. The Act, which established the office two years ago, is vaguely worded in places and the office is anxious that its powers of subpoena and demand for evidence under oath should be clarified.

A spokesman says: "The case involving an attorney, S Mhinga, who was called upon by us to give evidence, has been taken on review by him to the Supreme Court for hearing on August 10." If a case is then made for the office it would be unnecessary for the Act to be revised.

It seems clear, from the wording of the Act, that the intention of the legislators was to give the office the right to subpoena and demand evidence under oath. The Act is also explicit that a witness may not refuse to give evidence on the ground that it could be self-incriminating.

But the Act also refuses the office the right to bring any self-incriminating evidence against an accused while the accused was a subpoenaed witness. The status of witness and accused is separated: which leads to another difficulty in investigating economic fraud — if it is necessary to lay a pro forma charge to stop a suspect from leaving the country, then that suspect may refuse further interrogation.

A spokesman for the office adds that laying a charge prematurely will often hamper an investigation.

The issue arose from the office's investigation into the Multilateral Motor Vehicle Accidents Fund (MMF) files and the curious

FM 9/7/93

~~34~~ (55)

nature of some of the claims processed under third-party rules. This led to the subpoena to Mhinga and later to a similar process served by the office on two former directors of now-defunct President Insurance. Both men refused to testify, were taken before a magistrate, charged for their refusal, then released on R500 bail.

But both had been arraigned on a pro forma charge in December.

Meanwhile, the issue of President and the MMF has expanded.

A third former director, W C Ackerman, has been implicated in potential proceedings under section 38 of the Companies Act. He is alleged to have been one of the purchasers of President. Section 38 concerns the provision of financial assistance by a company to purchase its own equity.

The office has referred all charges to the Attorney-General and expects a trial date in September. ■

DURBAN FM 9/7/93 (58)

Looking for a handout

Durban's property market, as in most cities, is depressed. To make matters worse the local authority has been taken to task for doing little to attract industry, such as offering rates holidays.

The criticism comes in the latest biannual industrial, commercial and retail survey by J H Isaacs Natal (JHI). Only 10% of listed company head offices are in Durban but it is the hub of the second-largest industrial conurbation.

According to the survey, there are about 255 000 m^2 of lettable industrial space available in Durban. This is 27,5% more than a year ago but reflects only a 6,25% rise in the past six months. The highest rental for 1 000 m^2 is R10/m^2 at Springfield and the lowest is R5,50/m^2 at Phoenix. The biggest demand for space has been in the 300 m^2-500 m^2 range.

Retail rentals have held up in the CBD but softened on the periphery. "Typically, the eastern end of West Street (dependent on tourism) has seen asking rentals of R75/m^2-R80/m^2 fall to R40/m^2-R60/m^2."

Those retailers able to expand are holding back to assess the impact of Natal's first regional shopping centre, the Westville Pavilion, which opens in October. The office market is no better. JHI director Guy Levene says vacancies in CBD A-grade space are still rising — 27,7% (35 259 m^2) this month compared with 27,38% in November. Asking rentals have dipped, with the minimum for A-grade space dropping from R28/m^2 to R26/m^2 since November (the top remains at R32,50/m^2).

The strongest demand is for small (50 m^2-150 m^2) parcels of B-grade space. There are, he adds, encouraging numbers of blacks seeking office space, mostly one or two offices in the lower B and C grades. Even so, B-grade vacancies have also edged higher in the CBD, from 8,84% to 9%. Vacancies have also increased in decentralised office nodes. ■

to prevent any authority attempting to rezone the land for anything other than a nature area.

However, Absa does not have development rights for the 270 residential units and in making application for them it would need to seek an amendment to the guide plan which governs the Cape Peninsula Protected Natural Environment.

The proposed development is on one of only seven climbing dune systems in SA and no environmental impact study on the effects of the development has been conducted by Absa. In the 20-odd years that erf 3366 has been in the hands of banks — first TrustBank then Bankorp and now Absa — no management has taken place of the dunes to prevent the encroachment of alien vegetation which, in turn, has interfered with the process of feeding sand from these dunes to the neighbouring beaches, including that of Sandy Bay.

Ironically, Absa is using this altered equilibrium to plead its case for development of the dunes. Its source is a CSIR study on development in general in Sandy Bay, written in January 1991, two years before Absa's proposal. The report states its own limitations: "Although the sediment path is no longer functioning in the natural manner a new equilibrium is being achieved. However, to determine it with any certainty, a detailed sediment audit of Sandy Bay is necessary."

There are 10 groups objecting to development on the saddle between Karbonkelberg and Klein Leeukoppie. They are united under the banner of the Hout Bay Coalition and consist of, among others, the Botanical Society, The Fairest Cape Association, The Hout Bay Ratepayers' Association, The Karbonkelberg Action Group, Leeukoppie Estate (Sol Kerzner's Cape home), Llandudno Ratepayers' Association, and The Wildlife Society.

In order to head off the development they have suggested that the developers engage in a land swap with the government. Hout Bay Coalition co-ordinator Eric Mair says he wants to meet the Administrator of the Cape.

The next option, they say, is outright purchase of the land. Moves are now being made to place a value on it. Two weeks ago the coalition appointed its own valuer following Absa attaching a value of R23m to its property. Absa says it only mentioned the figure in response to questions put to it at its most recent meeting with affected parties on June 14. But clearly its value is based on the perception that development rights could be attained.

Mair, who is also the estate manager of Sol Kerzner's Leeukoppie home next to the proposed development, says according to the Department of Agriculture at the University of Stellenbosch, good farm land would sell for R350/ha. "If that price were to be used, the value of this 266 ha property would be R95 000 at most."

Many of Absa's opponents are hoping Kerzner will be their white knight. But Kerzner is remaining non-committal about his plans. Like Mair, he believes the mooted value of R23m is preposterous. "R23m for what?" he said last week. "They have no development rights of any sort."

Absa admits that in terms of the land's present rural zoning all it could apply for is to subdivide the property into about 12 plots of a minimum size of 21,5 ha each, on which two dwellings could be erected on each plot. But even that would necessitate an amendment to the guide plan.

Just what action will Kerzner take? "I will do anything within reason to prevent the development from being permitted," he says. "But in any event I would hope that the authorities do not allow the destruction of one of the most beautiful sand dune systems in the Cape."

In the interim, The Wildlife Society has called for a moratorium on all rezoning and development applications for the Peninsula Mountain Chain and in areas identified as being of scenic importance until such time as consultants appointed by Dr Douglas Hey's Cape Peninsula Protected Natural Environment management advisory committee have completed their investigations and the results have been studied.

Says Mair: "The coalition agrees that it is prudent to allow the authorities time to ascertain what the whole area needs for future prosperity, before individual developers are allowed to rezone important environmental and recreational assets." Hey's report should be completed in March. ■

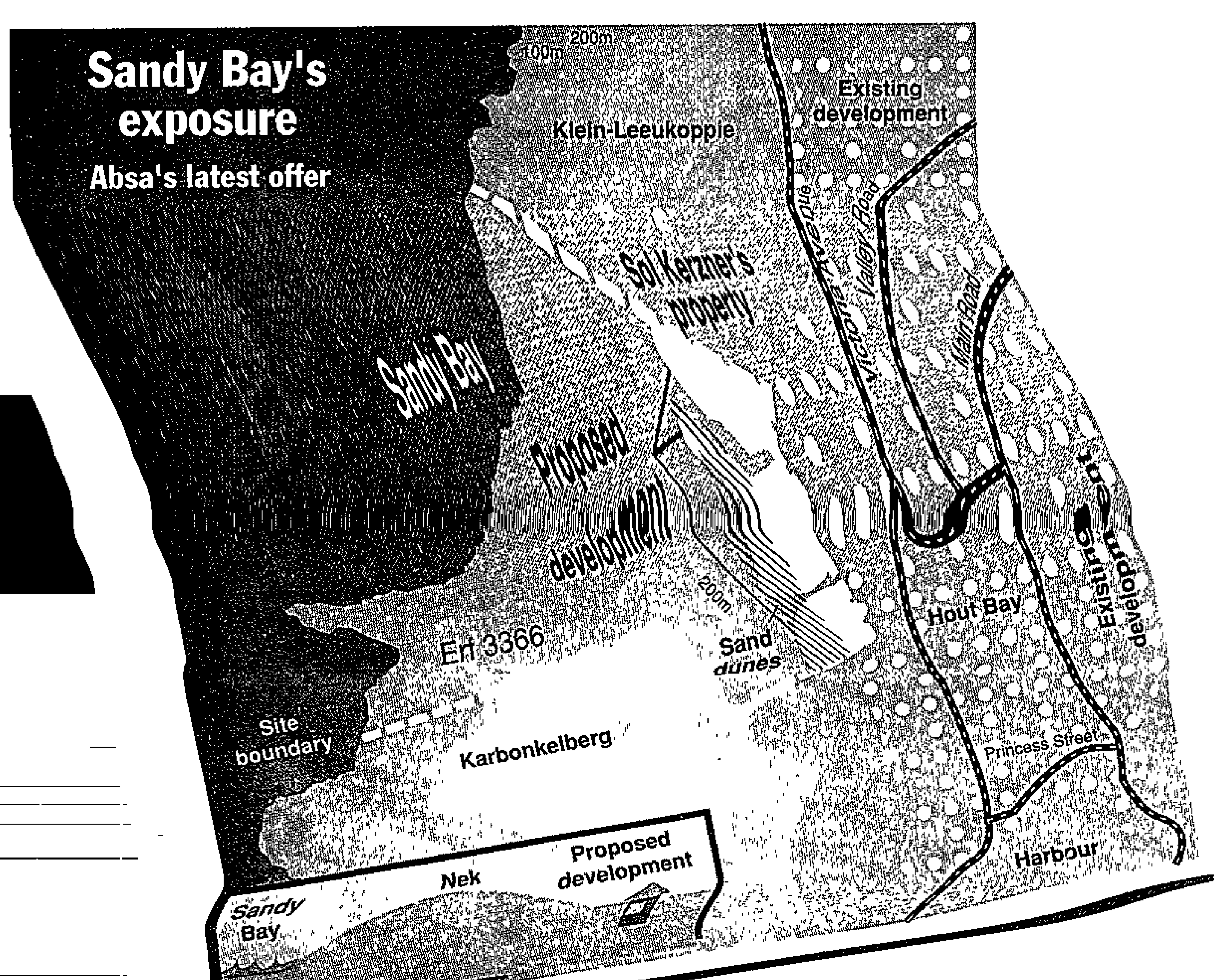
SANDY BAY (55)

On shifting sands

FM 9/7/93

Absa's most recent proposal to develop 270 residential plots (20% of site area) on its Hout Bay hillside property which extends down to Sandy Bay, seems modest — even generous — considering Absa is willing to cede the rest of erf 3 366 Hout Bay to the authorities for it to be managed as a nature reserve. Its proposal also provides for better public access to Sandy Bay.

What Absa fails to note is that should the proposed nature reserve ever be rezoned to allow development, then as a condition of its offer, it will automatically repossess the land. Absa claims this reversionary clause is



Sage's two unit trusts underperform

BDay 9/7/93 (58)

DUMA GQUBULE and ANDREW KRUMM

THE Sage Group's two unit trusts, Sage Fund and Sage Resources Fund, underperformed the JSE all-share and mining producers indices in the year ended June.

Sage capital managers executive director Dirk Stofberg said yesterday Sage fund, which increased its assets to R1,03bn from R955,1m at end-March, had achieved a total return of 8,9%. This reflected the static performance of the fund's major shareholdings.

Stofberg said although the performance lagged the 14,7% return on the all-share index, the longer-term performance remained satisfactory with a total return of 21,6% a year over the past five years.

Sage Resources Fund, whose assets increased to R68m from R56m at end-March, gave investors a 13,9% return for the period. This compared with returns on the JSE mining producers and mining financial indices of 17,6% and 19,2% respectively.

Banks 'lost common touch'

By AUDREY D'ANGELO
Business Editor

BANKS all over the world are taking a renewed interest in individual clients, says Syfrets senior GM Simon Steward.

But many of them are out of touch with personal banking after years of concentrating on corporate lending, and are having to change their structures and re-acquire forgotten skills.

Steward has just returned from a five-day Euromoney conference in London at which private banking was a major topic of discussion.

And he delivered a paper on "The changing world of private banking, new challenges, new strategies," at the seventh international private banking conference in London this week.

He explained:"Banks have been losing the common touch in the last 20 years. They have been concentrating on growing their balance sheets on the asset side, through loans, and not on the private client."

But the banking industry, globally, burnt its fingers with unwise loans. "They have got to increase their return on assets," Steward explained.

"They have got to do more with their private clients — specifically, individuals of high net worth.

"Private banking has now become one of the core activities of banks around the globe. It is really a return to traditional values.

"The Swiss banks have never lost these. But the larger banks in Britain, the US and SA have all lost that touch."

Many of the larger banks had acquired an arrogant, impersonal image, he said.

An additional difficulty was that in order to give shareholders an adequate return, banking services had to be profitable and inflation had pushed up the threshold above which it was cost-effective for senior bank staff to attend to individual clients.

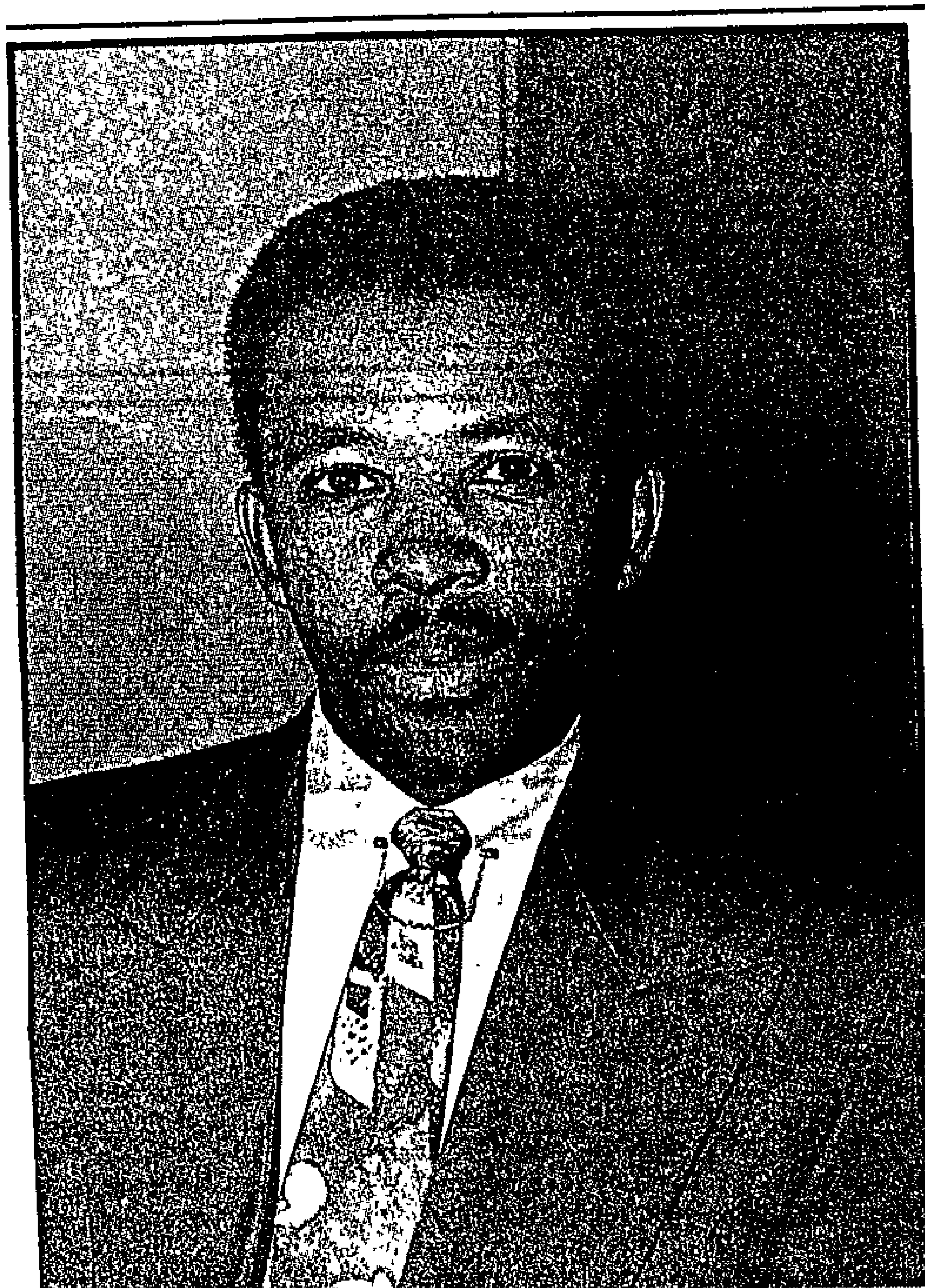
Steward said that in Syfrets' case this was now R1m. In the case of Coutts Bank in London it was £100 000 and in the case of US bank J P Morgan it was $5m.

Steward said he also saw the need for banking services for people at the lower end of the market, as this sector would grow as black incomes increased.

58 CT 10/7/93

'Helpful' estate agent, house deposits missing

C1Press. 11/7/93



WANTED MAN ... Police have issued a warrant of arrest for estate agent Sipho Dlamini.

LAST month Johannesburg estate agent Sipho Dlamini reported his boss, Joseph Mushi, to the police for allegedly stealing R200 000 in housing deposits from the trust account of estate agency Property Dynamics.

This week police issued a warrant of arrest for Dlamini because he is suspected of doing the same.

After blowing the whistle on Mushi, alias Joey More, Dlamini and other Property Dynamics staff opened up their own agency, Property Trust, in Jeppe Street, Johannesburg.

Dlamini assisted clients who had lost money to Mushi to lay charges with the police and claim their money back from the Estate Agents' Board.

Now John Vorster Square police are looking for Dlamini and want to arrest him on charges of fraud and theft.

He is alleged to have stolen money from Property Trust's trust account. The amount involved has not yet been calculated as Dlamini has apparently disappeared.

He did not arrive for work this week and police were looking for him at his family home in Witbank.

Angry clients were waiting for Dlamini at the company's offices and demanding that staff pay back their deposits. Dlamini had sole signing powers on the trust account and staff could not tell clients what had happened to their money.

"The clients were so angry. We nearly lost our lives," said one staff member who did not want to be named.

Staff confirmed with various banks that money which was supposed to have been paid for properties had not been paid and that some amounts had been withdrawn from the trust account, but apparently not handed over to sellers. (58)

Clients who have complaints about Property Trust can speak to the investigating officer, Det Sgt Segale at John Vorster Square, on (011) 497-7419.

Absa loses market share to Standard Bank group

BDay 12/7/93

58

SHARON WOOD

THE Standard Bank group made rapid inroads into the corporate banking market in the year to March 1993 while Absa lost ground, according to statistics from the Reserve Bank DI900 returns, compiled by Martin & Co banking analyst Richard Jesse.

Absa's biggest decline in market share was in the corporate market, where its share of corporate deposits fell by seven percentage points to 36%. Standard Bank more than made up for the slide in Absa market share, with the group gaining eight percentage points to 29%.

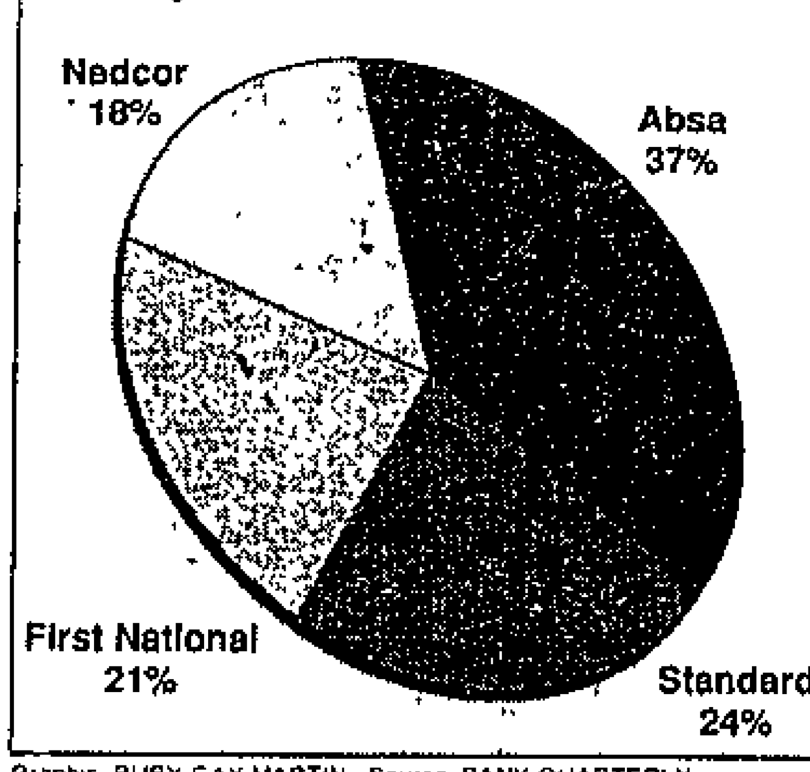
FNB also slipped behind in the race to harness corporate business and its share of the market declined by three percentage points to 16%.

Ed Hern Rudolph banking analyst Alan McConnochie believes the most fierce competition between the "big four" will probably be in the corporate market — an area where Absa stands to lose further market share.

McConnochie expects the intense competition in the home loan market to become more subdued this year. He says the Allied and United have become more settled, so market loss here could be insignificant.

Over the year to March, Standard Bank improved its share of the home loans market, gaining four percentage points. FNB added one percentage point and Nedcor fell behind by a similar margin.

Adjusted total advances



Graphic RUBY GAY MARTIN Source BANK QUARTERLY

Absa's share of the "big four" total advances contracted by three percentage points to 37% in the year to March.

Loss of market share and a low price/earnings ratio are the most visible prices the banking giant has had to pay for its amalgamation and rationalisation. But analysts say the loss in market share was to be expected while the rationalisation of the group was under way.

Absa has lost market share in almost every aspect of its business and in most cases FNB or Standard Bank have been the beneficiaries.

Two percentage points of Absa's overall loss in market share went to FNB, which lifted its share of advances to 21%, and one percentage point went to Standard Bank, increasing its share to 24%.

Absa lost five percentage points in leasing finance, with FNB gaining three percentage points, Standard Bank two percentage points and Nedcor one.

The banking giant lost three percentage points of market share in both mortgages and instalment financing, to 46% and 32% respectively.

New CE Danie Cronje says regaining market share is a high priority for Absa.

But McConnochie expects Absa to suffer a further small loss in market share during the year. "The other banks are fully focused on growth but Absa is partly focused on rationalisation and partly focused on growth," he says.

Sentiment towards Absa is most clearly reflected in its 7,8:1 price:earnings ratio, which is the lowest in the industry. Standard Bank tops the list with an earnings multipleof 16,0.

McConnochie predicts that Absa's share price will rise to about R11 in a year and, based on forecast earnings growth of 15%, the multiple will edge up to 8,0.

Jesse expects earnings to grow by 18,7% in the 1994 financial year, but predicts a price/earnings ratio of 6,4:1, translating into a share price of only R8,96.

Analysts believe that once the uncertainty around Absa disperses, the share will provide the highest value to investors in "big four" bank shares. They say Standard Bank shares, at R97, are expensive.

NEWS FEATURE *Tenants pay between R70 and R150 for a room or garage*

Homeless are over-charged

Sowetan 12/7/93

■ EXORBITANT RENT *Owners show no mercy towards poor people in PWV:*

By Joshua Raboroko

Hundreds of homeless people living in shacks and backyard rooms in the PWV area are being ripped off by landlords who charge them exorbitant amounts in rent and for other services

The people maintain that this happens despite the fact that the owners are themselves not paying local authorities for services as a result of the rent boycott

They pay rates ranging between R70 and R90 for a shack and R90 and R150 a month for a backyard room or garage These rates often exclude electricity and water supply.

They may not boycott paying rates because they face the threat of being evicted

However, the landlords argue that they are faced with the problems of trying to help homeless people at a time when the country has an acute shortage of homes.

Two million homeless

According to a survey by the Institute of Race Relations for 1992-93, there are more than 2 million homeless people in the PWV area.

This state of affairs has resulted in hundreds of the homeless quitting shacks, backyard rooms and "garages" and flocking to settle in the mushrooming squatter camps on the periphery of townships.

The majority of these squatters are on the borders of townships in Soweto, the Vaal Triangle, Tembisa, Tokoza, Katlehong, Duduza, Daveyton, Soshanguve and Mabopane, to mention just a few

A Sharpeville father of six, Mr Titus Tibana, said he was forced to quit a backyard room because he paid R80 a month to his landlord

"I am jobless and cannot cope with paying the high rent as well as supporting my children," he said He is one of the more than 1 000 people who built shacks in the squatter camp outside the township.

A Dube resident living in a backyard room, Mr Martin Sithole, who came to look for employment in Johannesburg 10 years ago, said he could not get a home because of the housing shortage.

"I am paying R100 a month in rent, electricity and water for staying in the room," he said. "I do not know what my landlord does with the money because he is not paying rent himself"

"I once tried to boycott paying when many residents refused to pay rent but he threatened to evict me," he said

58

Squalid conditions

Mr Sydney Mofolo, who lives in a shack in Orlando East, said he was paying R70 for living in squalid conditions, without electricity and proper water supply in his makeshift home

"The conditions are really bad But what can I do I have a family and I have to find shelter for them," he said

The situation is worse in Evaton where many people still have freehold title deeds and have at least 10 to 15 people living in shacks on their plots.

The tenants claimed stand-owners were enriching themselves by charging high rent ranging from R60 to R70 a month, without electricity, proper toilets or sewerage and sanitation.

One tenant said: "We have to dig holes and build structures around them for toilet purposes. Ten of us use one tap for water. The landlords do not pay rent."

A Soweto landlord, who did not want to be named, said he was still paying a bank loan for building a garage for his car. Two families requested him to use the garage as a refuge because they did not have homes.

He said: "I am not rich and can't afford to have people staying on my premises without paying."

An Evaton stand-owner, who has six four-roomed houses on his plot and is charging R90 a month for each, also claimed he was paying off a bond.

He said: "If I fail to pay the bank will repossess my property and I will be left out in the cold. These people must understand our plight while we are trying to help them."

The director of communications for the Transvaal Provincial Administration, Mr Gert de Jager, said tenants were being exploited by the owners of the backyard rooms

Standard makes corporate inroads at Absa's expense

CT 12/7/93 (58)

Own Correspondent

JOHANNESBURG. — The Standard Bank group made rapid inroads into the corporate banking market in the year to March 1993 while Absa lost ground, according to statistics from the Reserve Bank DI900 returns, compiled by Martin & Co banking analyst Richard Jesse.

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McConnochie predicts that Absa's share price will rise to about R11 in a year.

Govt bond market plan is blocked

TIM MARSLAND

CAPITAL markets players last night blocked government's plans to establish a formal bond market exchange by refusing to approve its core rule book.

Government is now expected to impose the rules on the R4 400bn a year market without further consultation. BDay

BMA chairman Willem Kok said it was up to Financial Markets Registrar Piet Badenhorst, who attended the meeting, to make the next move. 13/7/98

Kok said 32 members voted against and 20 for the rules. (58)

Government has told the capital market, through the Bond Market Association (BMA), to draw up and approve rules under which it should operate.

Unless the BMA sets the exchange in motion, government will not license it.

However, the Financial Markets Control Act states that any listed instrument has to be traded on a formal market.

To get around that, government has exempted the market from the Act.

The exemption expires in April next year.

Kok said members indicated that they were not unhappy with the rules, but were concerned about the market's direction.

"One member told the meeting he was concerned that once the train started, he wouldn't be able to get off."

"Basically, they are anti-regulation," BMA CE Graham Lund said.

☐ To Page 2

Bond market

BDay 13/7/98

☐ From Page 1

Kok and Lund said smaller parties were blocking the process, effectively holding government and major banks to ransom.

Kok said smaller brokers were concerned about the costs associated with a formal exchange — R17,50 a trade — although members had agreed on this earlier this year.

One objection relating to option trade was already being tackled, he said.

The BMA, inaugurated in June 1989, is a self-regulatory body empowered, under licence, by the Registrar of Financial Markets to regulate the fixed-interest securities (bond) market.

Membership includes banks, issuers, investors, stockbrokers and independent intermediaries. (58)

Star 13/7/93.

Efficient way to distribute the national cake

By Claire Gebhardt

(58)

Unit trusts will help democratise the South African economy, says Dr Gad Ariovich of the Financial Services Board.

Addressing the role of the regulator in the industry he said unit trusts were a wonderful mechanism to distribute the national cake to the man-in-the-street.

"Just R200 a month buys a portion of Anglos or De Beers."

Ariovich said the industry was becoming more and more dominant from a macro-economic point of view.

"The contribution to savings is fantastic and the industry is an efficient channel to transfer savings into investment which will create economic growth and jobs."

Regulation, however was necessary because products were quite abstract and the consumer wanted protection, the industry wanted a stamp of approval from government and government wanted fewer scandals.

Some outstanding issues were:

- The use of derivative instruments — "we need consensus from industry, management companies and government but what should have been decided in a month has already taken a year."
- Money funds — "to compete with bank deposits and generate saving for economic activity".
- More competition between funds — "a little bit of cut-throat competition will lower costs for the investor".

Unit trusts begin to feel the pain

Star 13/7/93

(58)

By Claire Gebhardt

The unit trust industry is showing the financial stress of a prolonged recession.

Less disposable income in the consumers' pockets has meant that although the total value of assets invested was 11 percent up at R16,3 billion in the second quarter from the first quarter's R14,5 billion, repurchases were higher while gross sales remained static.

Sales for the quarter to end June were R1,2 billion against R1,29 billion to end March while repurchases increased to R710 million from R685 million in the previous quarter.

The outcome was a net R537 million invested in unit trusts — down on the previous quarter's net inflow of R604 million.

This was also significantly smaller than the total R738 million net inflow during the December quarter.

Unit Trust Association chairman Bernard Nackan said that notwithstanding the poor economic conditions, a further 49 000 unit trust accounts were opened bringing the total to 1,2 million.

"Although repurchases were 8,6 percent up during the June quarter, the trend remains well within international industry norms and is not surprising given the poor state of the economy."

Bernard Nackan . . . repurchases not surprising considering the state of the economy.

Nackan believes the SA unit trust movement is set to follow in the steps of the US industry, which has grown at three times the growth in GDP.

"Mutual funds in the US have overtaken the funds of the life industry and are now about to surpass the retail deposits of banks."

Nackan said the SA industry was applying pressure to have money market funds established in line with overseas trends and had the support of the regulators, though not yet of the banking sector, "because this will take money away from them."

He noted that in the UK 1 500 funds currently had 4,5 million unit holders. "In SA we have 50 funds with 1,2 million account holders."

The equity trusts maintained their exposure at 80 percent, increasing the total percentage of mining stocks in their portfolios from 33 percent at end March to 36 percent at end June while reducing their industrial holdings.

At June 30 the combined market value of the equity trusts were 1,75 percent of the market capitalisation of the JSE, "illustrating the enormous scope for growth."

Deputy chairman, Derick Finlayson said continued strong inflows into the income funds saw total assets at end June at R2,5 billion — 124 percent up on the R1,1 billion held in the funds in June last year.

"Income funds reduced their holdings of bonds of seven years and longer, repositioning their portfolios substantially in three to seven-year investments."

Income fund investors had made capital gains of up to 5,8 percent over the year, in addition to the high income earned.

The average balance held in the general equity trusts at June 30 was R11 845 (March R10 075). In the specialist equity trusts the figure was R8 956 (March R7 741). In the income funds the balances were markedly higher, averaging R58 143.

Syfrets' community growth fund up 16,3%

58 CT 13/7/93

Business Staff

SYFRETS' Community Growth Fund — the socially responsible unit trust launched in June last year — achieved a rise of 16,3% over the 12 months, beating the All Share Index which rose by 15,4%.

The income distribution for the six months to June was 4,83c a unit, bringing the total for the year to 11,71c a unit.

The fund has added six new companies to its portfolio in the course of the year. They are the Premier Group, Foschini, De Beers, Southvaal, Palabora and Trans Natal.

To date 22 companies have been approved as suitable for the fund to invest in and 19 are currently being assessed.

Syfrets, which manages the portfolio, reports that strong cash flows towards the end of the year resulted in the fund more than doubling in size to just under R45m.

The strong cash flow raised liquidity to 70%. Syfrets' intention is to raise equity exposure by buying carefully selected stocks at times of market weakness.

Warning on black schools 'volcano'

JOHN VILJOEN
Education Reporter ARGT 13/1/93

THE Peninsula black schools "volcano" could erupt again, principals have warned.

Mr Solomon Makosana, head of the Western Cape Principals' Forum, a 70-strong non-aligned group, said the warning followed meetings with parent-teacher-pupil associations and school governing committees.

As the new term opened, he appealed to "privileged" Cape Town residents to visit township schools to see conditions there.

He was concerned that many people could have been gripped by the euphoria which followed the end of the flare-up in schools earlier this year.

"It appals us that many privileged people are not aware of the atrocities of apartheid education — such as dilapidated school buildings, congested classrooms and lack of school furniture," said Mr Makosana.

The Department of Education and Training was the source of the problem and the pupils' campaigns and teachers' protests were justified. But the forum did not support a strike or any strategy which was "suicidal or injurious" to education.

Weather blamed for stayaway

ATTENDANCE at Western Cape township schools on the first day of term yesterday was "unsatisfactory", says the Department of Education and Training.

Turnout at high schools averaged 50 percent and varied between 25 and 75 percent, said a DET spokesman for the Western Cape area office.

The chief reason for the "very unsatisfactory" attendance was probably the weather. — Education Reporter.

Mutual's gold fund is 'star performer'

CT 13/7/93 (58)

OLD Mutual Gold Fund was the star performer among the Mutual's seven unit trusts in the June quarter. On a 12 month basis it beat the All Gold index with an 85,93% gain, followed by the Mining Fund with 29,38%.

The value of the Gold Fund's portfolio rose to R95 682 903 on June 30 from R62 996 456 on March 31. And the repurchase price soared by 59,7% to 174,3c a unit from 109,02c. The value of the;

- Investors' Fund portfolio rose to R3,5bn on June 30 from R3,2bn on March 31 while the repurchase price rose by 9% to 2 718,79c a unit from 2 495,29c.
- Mining Fund portfolio rose to R123 218 527 from R100 126 390 while the repurchase price rose by 30,4% to 295,33c a unit.
- Growth Fund portfolio was R86 171 369 at the end of the quarter while the repurchase price rose by 16,2% to 232,16c a unit.
- Industrial Fund portfolio rose to R115 466 421 while the repurchase price rose by 4,4% to 356,88c.
- Income Fund portfolio rose to R135 946 844 from R131 879 121 while the repurchase price rose by 0,2% a unit to 111,48c.
- Top Companies Fund portfolio rose to R199 666 560 from R181 200 258 while the repurchase price rose by 9% to 272,89c a unit.

SA unit trust assets hit record R16,3bn

BDay 13/7/93

DUMA GQUBULE

ASSETS managed by SA's 50 unit trusts rose 11% to a record R16,3bn at end-June, the Association of Unit Trusts said yesterday.

Deputy chairman Derrick Finlayson told an association seminar in Johannesburg the industry's assets still represented only 1,75% of the JSE's market capitalisation of R628bn at end June.

The figure was substantially below international averages and there was enormous scope for growth.

Finlayson said assets had grown in all three industry sectors: specialist, general equity and income funds.

Contributing factors were new highs on some major JSE indices, bouyant mining board performances and largely maintained cash flows.

During the quarter, 49 000 new unit trust accounts were opened, bringing the total to 1,27-million.

Sales remained at R1,23bn, while repurchases rose to R710m from R674m at end March.

Association chairman Bernard Nackan said the rising repurchases trend was to be expected with the country's continued poor economy.

Of the industry's total assets, R13,8bn was in equity trusts, of which R11,9bn (or 73%) was in general equity trusts.

(58)

The average balance in general equity trusts was R11 845, R8 956 in specialist equity trusts and R58 143 in income funds.

Nackan said this showed unit trusts were ideal for those who did not have sufficient capital to invest directly in the share market.

The income fund sector saw total assets end the quarter at R2,5bn, 124% up on last year's.

The income funds reduced their holdings of seven years and longer bonds, and also repositioned their portfolios substantially in three-year to seven-year investments.

Assets of the industry's 18 specialist funds were up 17% to R1,84bn.

Financial Services Board deputy executive officer Gad Ariovich said the board, as industry regulator, preferred to see a larger menu of funds with more diversified portfolios.

The board also wanted more management companies, and more competition between them. It was investigating allowing institutions other than financial ones to acquire majority holdings in unit trust management companies.

Other outstanding issues being debated by the board included finding a way of allowing the industry to use derivative instruments and establish pure derivative unit trusts.

Six new companies win fund approval

BDay 13/7/93

LINDA ENSOR

CAPE TOWN — Six new companies have been included in the portfolio of the selective socially responsible unit trust fund, the Community Growth Fund, which at end-June had total assets of about R45m.

The addition of Premier Group, Foschini, De Beers, Southvaal, Palabora and Trans-Natal brought the number of companies in the portfolio to 17. They were found to meet the fund's investment criteria and to score higher on social criteria than other companies in their respective industries.

(58)

In addition, 19 other companies were being assessed, with 22 approved to date, Unity chairman Tommy Olifant said yesterday. Unity is the trade union-controlled company which owns 50% of the management company which runs the Community Growth Fund. Syfrets owns the other 50%.

"No company has been rejected in the past six months, but discussions are continuing with several companies in danger of rejection in an effort to obtain a satisfactory outcome," Olifant said.

Criteria used in selecting shares for the portfolio include company policies on job creation, industrial relations, health and safety, social spending, conditions of employment, wages, environment, equal opportunities and affirmative action.

The fund achieved an annual return of 16,3%, compared with the 15,4% rise in the all share index over the period. An income distribution of 4,83c a unit for the six months to end-June was declared, bringing the total for the year to 11,71c a unit.

Strong cash flow into the Community Growth Fund saw liquidity rise to 70%. Portfolio manager Ian Hamilton of Syfrets said the equity exposure would be raised by the purchase of selected stocks when the market was weak. He remained cautious about the equity market, believing it had outrun its fundamentals.

Commenting on the results, Community Growth Fund Management Company chairman Prof Anthony Asher said: "The first year's performance compares well with that of the market and helps confirm our belief that socially responsible investment can also be profitable."

Other companies in the portfolio are: Hudaco Industries, Delta Electrical, Lenco, LTA, Unitrans, City Lodge Hotels, Foodcorp, Malbak, Murray & Roberts Holdings, Safmarine & Rennies Holdings and Stanbic.

Old Mutual gold and mining funds top trust performers

BiDay 13/7/93

(58)

LINDA ENSOR

CAPE TOWN — Old Mutual's gold fund was the leading unit trust fund in the year to end-June, with an 85,93% return.

The life assurer's mining fund came second in line, with a 29,38% return. Returns of other funds in the stable were: the income fund 14,71%, the industrial fund 6,82%, the top companies fund 9,44%, and the giant R3,5bn investors' fund 4,71%. The three-month-old growth fund achieved a quarterly return of 16,24%.

"Provided the markets remain firm we anticipate the positive trend will continue, with many accelerating performances," senior portfolio manager Adrian Allardice said yesterday.

End-June total assets for all funds were about R4bn, with those of the young growth fund already over R86m. The R95,7m gold fund had a liquidity at end-June of 14,6%, the R3,5bn investors' fund 10,2%, the R123m mining fund 11%, the growth fund 30,3%, the R115m industrial fund 6%, the R136m income fund 36,4%, and the R200m top companies fund 17%.

The growth fund had a mix of stock in blue chip and emerging growth companies, with its top 10 shares being Anglos, Engen, Anglovaal, National Selections, Remgro, Richemont, Anamint De Beers, Barlows, LTA and Sasol. Smaller companies with growth potential included ABS, Jasco, Uniserv and Barnex, fund manager Arnold Shapiro said.

The investors' fund improved quarterly performance, with a quarterly return of 9% from lower liquidity and the rebound by De Beers, which constituted about 7,5% of its portfolio. The fund increased its holdings of Amic, Engen, Genbehr, GFSA, Natsel, Nedcor and SA Brews while sales included Richemont, New Wits, Harties and De Beers. The top 10 holdings were Richemont, Anamint, De Beers, Rembrandt, Anglos, Barlows, Safren, Gencor, Sasol, JCI and Anglovaal Industries.

The gold fund increased its stake in Amgold, Driefontein, GFSA, Oryx, and Vaal Reefs; reduced holdings in Beatrix, East Dagga, Ergo, Harties and Randgold; and sold off ET Cons, Randfontein and Unisel. Top 10 holdings were Driefontein, Amgold, Elandsrand, Southvaal, Beatrix, GFSA, Vaal Reefs, Welkom, Harties and Zandpan.

The mining fund bought Anglovaal Holdings participation preference shares, Driefontein, GFSA and PGM, and sold off Ergo and Unisel. Holdings were reduced in ET Cons, Lonrho, Randgold, Rusplat and Southvaal. The top 10 shares were Anamint De Beers, Southvaal, Anglos, CMI, Gencor Genbehr, JCI, Anglovaal, Driefontein Cons, Potgietersrust Plat and Beatrix.

The top companies fund added Scharrig Mining to its portfolio and increased its Anglos and Barlows holdings, while the industrial fund bought Uniserv B convertible preference shares, sold off Safren and increased its Barlows and Nedcor stakes.

The income fund bought two new gilts, the 15% 1996 SA Housing Trust and the 9,5% 1994 Transnet, and sold off the Eskom 9,25%. The stake in the RSA 15% 1994 was increased, while the fund decreased the holding in the 12,5% 1995 RSA.

Six-monthly distributions were declared by the gold (2,19c a unit), mining (4,65c), and top companies funds (4,67c), while quarterly distributions were declared by the growth (2,96c) and income funds (3,88c).

SBDC package gets NEF support

South 10/7 - 14/7/93

The Small Business Development Corporation is launching a new "Pioneer Project" aimed at black businesspeople to address past inequalities. WOLFGANG THOMAS explains:

(58)

WITH unemployment assuming frightening proportions all over the country and formal sector job vacancies showing no signs of rapid increase, more attention has fallen on the ability of people to "create" their own jobs through self-employment.

The Small Business Development Corporation (SBDC) has in the past been criticised for neglecting black micro-enterprises — and allegedly channeling too big a share of its funds towards viable, white-controlled small and medium enterprises.

The corporation has now embarked on a major initiative aimed at black businesspeople.

The bulk of the funds allocated to the SBDC in this year's budget have been earmarked for a comprehensive support package destined to reach thousands of micro-enterprises.

In fact, the new "Pioneer Project" has also received the nod of the National Economic Forum, where unions are particularly concerned about creating new jobs.

Experience overseas and in the country has helped shape the SBDC's new support strategy. Rather than just waiting for loan applicants to approach the SBDC — with applications which are often poorly thought out or barely viable in a business sense — two dimensions characterise the new initiative.

● Firstly, there is an emphasis on co-operation and interaction with other NGOs and community-based organisations already active in the sphere of self-employment, entrepreneurship stimulation and micro-enterprise support.

The SBDC does not want to "go it alone" or work in competition with other bodies in this field, since the self-employment challenge is too vast to waste financial or managerial energy.

● Secondly, the provision of micro loans is just one element of a broad support package — in many cases it may not even be the critical factor; far more emphasis will in future fall on the training of people with entrepreneurial potential and business initiative, with the training often started long before financial support is considered.

In the past, the SBDC has been criticised for either turning down loan applications (because of poor prospects and lack of business expertise) or acting too strictly against loan defaulters.

In both cases, the lack of business education, appropriate training and other support networks were usually the real underlying problems which now have to be addressed on a broader basis.

The SBDC has the following new plans:

● Micro loans for viable enterprises, with amounts ranging from R200 to R5 000, and interest rates at 30 percent gross a year and 20 percent net, in the case of timely payment.

The latter scheme of a 10 percent interest discount has recently been introduced to encourage prompt payment of loans over six to 24 months, as initially arranged. If the loan is repaid promptly, the client receives the interest payment as a lump sum in cvash.

● Comprehensive Assistance loans for the more experienced business person, with amounts ranging between R2 000 and R50 000 (or more) and interest levels between 12,5 and 17 percent.

Other assistance will be in the areas of marketing, providing advice in the form of mentors, and the formation of industrial hives located near high density townships.

The SBDC hopes to trigger off a whole movement of grassroots business able to give micro enterprises in this country the vital big push it needs.

WOLFGANG THOMAS

More competition needed in lucrative unit trust industry

Star 14/7/93

By Derek Tommey

Important changes appear to be on the way which could threaten the cosy relationship that exists between management companies in the unit trust industry. (58)

The current arrangement has been a lucrative source of income for the banks and insurance companies.

Helped by the high entry barriers to the industry imposed by the Government, the industry has remained in the hands of a number of sizeable financial institutions.

In turn these have kept a tight control over the industry to keep it as profitable as possible — even apparently agreeing among themselves not to engage in any major advertising.

The results have been fruitful. Investors Mutual Funds Limited, the management company for the Sage group funds, had gross revenues of R11,1 million in the 12 months ended March this year from an investment of R3,2 million.

The South African Mutual Unit Trust Management Company, which runs the Old Mutual trusts, had a net operating income of R48,3 million in the year ended June, 1991, from an investment of R5,0 million.

Dr Gad Ariovitch, deputy executive officer of the Financial Services Board gave the industry's leaders notice this week that he would like to see a more competitive industry.

Changed views

He told them that the Government's views on the industry's future were vastly different from those it had previously held.

It would like to see more management companies and greater competition between all of them.

Ariovitch indicated that the previously held view that only large financial institutions with huge cash resources should be allowed to manage unit trusts had changed. He suggested that stockbrokers should possibly be allowed to operate a management company.

He said he would like a better defined role for the trustees of the unit trust. He felt they should do more than merely look after the shares and other assets.

However, he also had some encouraging news for the industry. He favoured the establishment of money funds which invested in financial instruments.

But he warned that efforts to establish them would run into strong competition from the banks as money funds would be a threat to their deposits.

Dr Gad Ariovitch . . . in favour of money funds.

He also mooted the possibility of funds which invested entirely in derivatives. But added that a change to the Unit Trust Control Act would be needed before these could happen — and this was not likely before the end of next year at the earliest.

Futures market

Meanwhile the unit trust industry is poised to start investing in the futures market. This does not require a change in the Act as it can be done by proclamation through the Government Gazette. This is expected in the next few weeks.

Carel de Ridder of Southern Life says the trusts will probably use the futures markets to improve their investnent performance at times when the market was running and a large cash inflow — such as when dividends were reinvested — was about to take place.

Buying futures in this sitation could add significantly to the trust's performance.

The Financial Services Board has imposed limits on the trusts' exposure to the derivative markets and wants the trustees of a unit trust to ensure that these limits are not exceeded. The trustees do not appear to be too happy about this.

A unit trust's exposure to derivatives cannot exceed 20 percent of its total assets. If it takes a bull position it must have cash to cover possible loss; if it takes a bear position it must have sufficient shares to cover its possible liability.

The same provisions apply to trading in the options market, even though the unit trust has the right not to exercise its options. This is a "belt and braces" situation, says De Ridder.

Faith in poor

(58)

JO-ANNE COLLINGE reports on an interview with Muhammed Yunus, the Bangladeshi professor who successfully stood banking conventions on their heads.

MUHAMMED Yunus is a discriminating banker. The institution he founded lends only to the poorest of the poor and it gets a 98 percent repayment rate from 1,6 million borrowers spread across 32 000 villages in Yunus's native Bangladesh.

Not only is it riskier lending to rich people, argues the architect of the Grameen Bank of Bangladesh, but such lending does not have the developmental impact of extending credit to the poor.

"Tokenism doesn't solve anything. It's the mass economy that you need to be worried about. If you make the rich people richer, the local economy is not built up because they spend their money elsewhere."

The moment the poor are assisted to become producers "they support each other" and create a demand for each other's goods.

A recent Canadian study in just two villages served by the Grameen — or Rural — Bank found that, after 10 years of credit, 48 percent of borrowers had lifted themselves above the poverty line.

This figure should be weighed against Grameen's policy of initially targeting the poorest 10 percent in any area and extending eligibility no further than the poorest 20 percent.

Yunus (53) is an economist, a professor-turned-banker, who has made it his life's work to challenge a worldwide banking system that he believes is "anti-poor, anti-women and anti-illiterate people".

He launched the Grameen Bank 17 years ago, in the village of Jobra near Chittagong University.

And with replicas in operation in at least 65 countries, the Grameen Bank is regarded as one of the few wonders of development banking.

Last week, Yunus was in South Africa to advise and encourage fledgling group credit schemes and to discuss the institutional framework for development banking.

Despite his lilting speech and reflective asides ("The fact that a human being cannot dream about himself or herself — that's poverty"), Yunus does not soft-peddle the Grameen Bank's achievements. And he believes it has particular ingredients for success:

- Group membership: Although loans are made to individuals, each joins in a group of five.
- Quick repayment: Payments are made in weekly instalments.
- A one year cycle: Each loan runs for a year, but most borrowers take out a series of loans. "Grameen is almost like a club. One loan doesn't change your life. The first loan is really a self-exploration."
- Work is done on the borrower's doorstep, in a public place. "We have given away all ideas of confidentiality."

Make no mistake, the Grameen loans are small. On average, loans for income generation amount to \$80 (about R270). The interest charged to borrowers is 20 percent — higher than Bangladesh's commercial rate of around 15 percent.

In 1984, Grameen branched out into housing loans, allowing R1 000 repayable at a rate of 8 percent over 10 years. This buys a tin roof, supported by four pillars, and sanitary facilities.

"Everybody said this (move into home loans) would be the end of Grameen Bank," Yunus recalls.

It wasn't. A total of 180 000 home loans has been granted and the number is growing at the rate of 10 000 a month. Shelter, Yunus points out, does a lot to raise productivity, especially in a country subject to the monsoon.

Women account for an astounding 93 percent of Grameen's borrowers. Part of the story is, of course, that there is a disproportionate number of women in the poorest strata.

But, Yunus says, they have also found that "money which went to a family through a woman brought much more benefit to the family than money brought in through a man".

The reason was that women tended to spend first on their children and the home, and last on themselves. Men usually reversed this pattern. "Everywhere I go (to Grameen-style banks) they say, hey, same thing in our country!"

According to Yunus, the bank is never short of students researching one or other aspect, and studies have repeatedly shown Grameen borrowers to have higher nutritional and educational levels, better housing, lower child mortality rates and higher acceptance of family planning than non-Grameen families of comparable status.

Not surprisingly, he argues that access to credit is not just a fundamental right, but the number one human right. If there is an income, then other entitlements such as the right to food, shelter, health care and education follow.

Quite simply, there should be banking for all and a variety of appropriate mechanisms should be developed to achieve this: "Poor people don't need your sympathy, they just need a fair deal."

Presenting the Grameen experience to formal sector bankers in South Africa, Yunus encountered amazement, but with a positive spin.

He tried to convince established banks that they should "open a separate window" and become wholesale bankers to the masses. There was no reason why they should not follow the World Bank in offering the Third World sector lower interest rates.

With his inner eye clearly focused on exchanges far removed from the over-the-counter-behind-armoured-glass variety, Yunus says with feeling: "Every borrower has a unique story. How we ignored ordinary people who *can* turn their lives around." □

St

pays off

14-7-93

Wednesday, July 7 quotations for unit trusts

General Equity Funds	Buyers	Sellers	Yield
ABSA	155 01	145,00	4,98
BOE Growth	172,70	161 36	2,67
C.G F	110 52	104,44	11,21
CU Growth	133,14	124 31	3 34
Fedgro	139 80	130 52	4,31
Guardbank	2799,24	2602,87	4 28
IGI	145,53	136,14	2 98
Momentum	278 37	261,02	3 54
Metfund	217,67	204,07	3,49
Metlife	126,59	118,29	5,92
NBS Hallmark	1022,18	954 51	4,15
Norwich	424,72	396,62	3,06
Old Mutual I/F	2927,18	2726,92	3,53
Old Mutual Grth	248,93	231,97	N/a
Sage	2641,34	2463,61	3,40
Sanlam Trust	.1740,56	1629,70	3,20
Sanlam Indx Trust	1354,00	1267,43	3,81
Sanlam Div Trust	484,46	453,92	4,63
Southern Equity	223,41	209,01	3,63
Standard	1253,36	1177,67	5,64
Syfrets Gr	314,80	294,75	4,34
Syfrets Trust	125,85	117,82	4,08
UAL	2255,97	2117,76	4,98
Specialist Equity Funds			
ABSA Ind	133,03	124,44	4,07
Guardbank R/F	184,23	171,05	4 29
Guardbank Ind	135,69	127,12	4,76
Old Mutual Top Comp	273,77	255,15	3,41
Old Mutual Ind	377,40	351,06	3,49
Old Mutual Min	319,85	297,87	3,00
Old Mutual G/F	195,79	182,36	2,60
Sage Resources	136,67	127,54	3,92
Sanlam Ind Trust	1061,21	993,76	3,59
Sanlam Min Trust	313,31	293,07	4,27
Southern Min	150,61	141,20	3,60
Southern Pure	127,26	119,05	N/a
Standard Gold	261,94	245,53	3,30
Standard Ind	108,42	102,20	8,43
Standard Inter	114,59	107,15	4,35
UAL M/R	403,45	377,45	3,45
UAL S/O	1987,08	1858,26	3,46
UAL Managed	1128,44	1063,25	1,23
Income/Gilt Funds			
Guardbank Inc	116,28	115,06	13,36
Metboard Income	107,78	106,65	12,72
Old Mutual Income	109,07	107,89	13,25
Southern Income Fund	544,78	533,89	N/a
Standard Income	92,81	92,85	11,74
Syfrets Inc	107,32	106,25	13 00
Syfrets Gilt	1079,68	1068,88	12.32
UAL Gilt Trust	1205,15	1193,11	12,81

What is a unit trust?

South 10/7 – 14/7/93

Daily reports and increased advertising by unit trust companies has resulted in an increase in demand for more information on unit trusts. Unit trusts give South Africans the opportunity to participate in the growth of our country through the stock exchange.

Over 1 million South Africans are currently investing in unit trusts. While this may seem to be a large group of people, comparatively few South Africans truly understand how unit trusts operate.

A unit trust is an investment on the stock exchange. A group of people pool their financial resources to buy a range of selected shares. For most people, their own portfolio of a suitable mix of top quality shares is far too expensive, but by combining resources with other investors this becomes possible. One of the main attractions of a unit trust is the small outlay needed to invest (some funds need as little as R50 a month).

The money and shares are administered by a unit trust company, employing a team of specialists to manage all investments. Each unit trust is divided into equal portions, or units, and investors are allocated units in proportion to the size of their investment. The price of these units is worked out according to the underlying value of all the shares held in the unit trust. The unit price will rise and fall in line with the fluctuating prices of shares held in the portfolio.

(58)

Because of fluctuating share prices there is always an investment risk. A unit trust addresses this risk by spreading the pool of money over a wide range of shares, instead of confining the investment to one or two shares. If one share in the unit trust performs poorly the investment is likely to be safeguarded by the performance of the other shares. No unit trust can avoid these market fluctuations and, therefore, it is recommended to remain invested for a minimum of five years as over time market fluctuations are ironed out.

Unit trust investments have, historically, provided capital returns well above the rate of inflation. The returns on an investment are made up of capital growth, interest and divident income. A further advantage is the tax efficiency of a unit trust investment. The growth of the investment, all company dividends and the first R2 000 of all interest income earned is tax free.

It is important to remember that unit trusts are not a substitute for a saving account. Every investor should have sufficient savings to cover for emergencies, as well as adequate life cover. A unit trust investment should be regarded as a supplement to these undertakings.

For more information on unit trusts contact Old Mutual Unit Trusts on their toll free number 0800-234-234

OLD MUTUAL UNIT TRUSTS

Helping you make the most of the Stock Exchange.

Trust managers might have to share cosy arrangement

(58)

□ Financial Services Board wants to see more competition

ARG 14/7/92

DEREK TOMMEY

JOHANNESBURG. — The cosy and profitable relationship between management companies in the unit trust industry is threatened by major changes on the way.

The current arrangement has been a lucrative source of income for the banks and insurance companies.

Helped by the high entry barriers to the industry imposed by the government, the industry has remained in the hands of sizeable financial institutions.

In turn these have kept a tight control over the industry to keep it as profitable as possible — even apparently agreeing among themselves not to engage in any major advertising.

The results have been fruitful. Investors Mutual Funds Limited, the management company for the Sage group funds, had gross revenues of R11,1 million in the 12 months ended March this year from an investment of R3,2million.

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He told them that the government's views on the industry's future were vastly different from those it had previously held.

It would like to see more management companies and greater competition among them.

Dr Ariovitch indicated that the previously held view that only large financial institutions with huge cash resources should be allowed to manage unit trusts had changed. He suggested stockbrokers be allowed to operate a management company.

One of the complaints frequently made about the unit trust industry was that their portfolios were so similar. He suggested the unit trusts should continue with a core of blue chips, but also be a little more diversified.

He also would like to see more unit trusts to provide the investing public with a large "menu" to choose from.

He said he would like a better defined role for the trustees of the unit trust. He felt they should do more than merely look after the shares and other assets.

However, he also had some encouraging news for the industry. He favoured the establishment of money funds, which invested in financial instruments.

But he warned that efforts to establish them would run into strong competition from the banks as money funds would be a threat to their deposits.

He also mooted the possibility of funds that invested entirely in derivatives. But added that a change to the Unit Trust Control Act would be needed before these could happen — and this was not likely before the end of next year at the earliest.

Meanwhile the unit trust industry was poised to begin investing in the futures market. This did not require a change in the Act as it could be done by proclamation through the Government Gazette. This was expected in the next few weeks.

Mr Carel de Ridder of Southern Life said the trusts would probably use the futures markets to improve their investment performance at times when the market was running and a large cash inflow — such as when dividends were reinvested — was about to take place.

Buying futures in this sitation could add significantly to the trust's performance.

The Financial Services Board had imposed limits on the trusts' exposure to the derivative markets and wanted the trustees of a unit trust to ensure that these limits were not exceeded. The trustees did not appear to be too happy about this.

A unit trust's exposure to derivatives could not exceed 20 percent of its total assets. If it took a bull position it must have cash to cover possible loss. If it took a bear position it must have sufficient shares to cover its possible liability.

The same provisions applied to trading in the options market, even though the unit trust

Buss waves goodbye

Business Editor

THE man who manages 500 buildings all over Southern Africa is retiring to sail around the world on his yacht, *Force Five*.

Mr Martin Buss, head of Old Mutual Properties since 1977, has seen the value of the office, retail and industrial property portfolio grow from R250 million to R8,5 billion.

He will be succeeded by Mr Ian Watt, presently property investment manager.

Mr Buss has been chairman of all Old Mutual's subsidiary property companies, as well as director of four outside quoted companies and president of the South African Property Owners' Association.

Cap

'Govt spending on education to drop'

CT 14/7/93 (58)

Staff Reporter

EDUCATION expenditure per pupil can be expected to continue falling in the next decade, according to the Education Foundation.

This gloomy prognosis was delivered by Mr Peter Badcock-Walters of the Education Foundation — an independent, non-profit educational trust — to delegates at the 1993 SA Association of Independent Schools conference in the city yesterday.

Mr Badcock-Walters said: "There are only two things reasonably certain about South African education: The extent of demand for it, driven by 2,4% population growth and 6% increase in enrolments, and the limited availability of resources, already running at about 23% of the national budget or seven percent of Gross Domestic Product."

Education is the largest single claimant on the treasury.

"The education sector's ability to sustain its budget share, or expand it, will be fiercely contested by... health, whose state of collapse is widely reported to be ahead of education and housing whose backlogs are self-evident," he said.

Burden

He said South Africa's low social spending of around nine percent added legitimacy to demands by the health and housing sectors for additional resources ahead of education.

The high level of government expenditure, coupled with the increasing burden of servicing public debt and consensus that tax levels could not be increased much, "will make it increasingly difficult for the government to increase real education spending per pupil", Mr Badcock-Walters said.

Also, given the economic crisis and low economic growth rates of the past decade, the outlook for expanded educational provision in the next five years was gloomy, he added.

Mr Badcock-Walters predicted that the trend of decreasing expenditure per pupil, which emerged in the late 1980s, could be expected to continue.

If public expenditure on education was to increase, some means of accessing private finance may have to be considered, he said.

Crusader Life to try stem share losses

BDay 14/7/93

MERVYN HARRIS

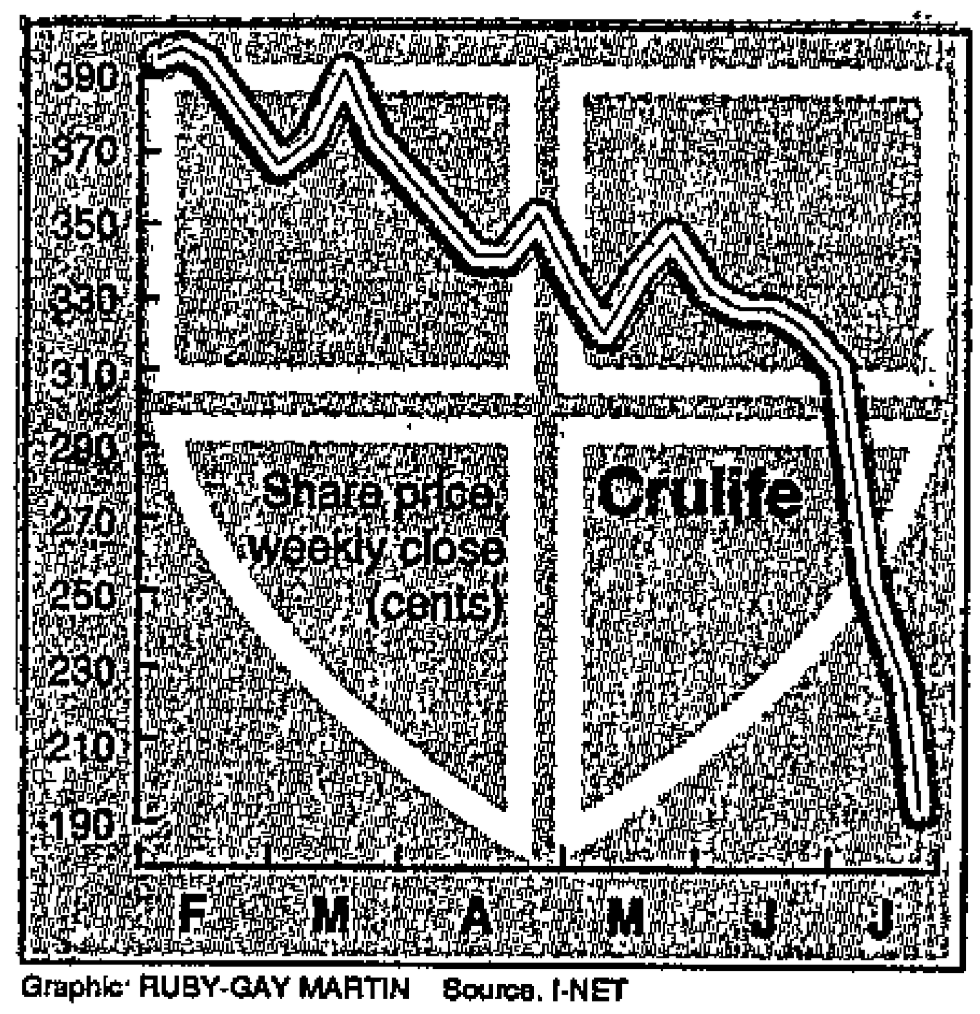
CRUSADER Life Assurance Corporation is expected to make an announcement soon to allay shareholders' fears as market rumours continue to weigh on its share price.

(58)

The shares yesterday plummeted 15,6% or 35c to a new year low of 190c, bringing its losses to 40% or 125c over the past month and to 53% from 410c in February.

Speculation swirling around the company in the market was ignited by the resignation in April of executive chairman Don Rowand, who was said to have departed for personal reasons to pursue private business interests.

He was replaced by Anglovaal Insurance Holdings CE David de Beer, whose appointment led to the resignation two weeks ago of MD Bob Rowand. The Rowand brothers were understood to have had a "loose arrangement" and the appointment of De Beer is said to have changed the situation for Bob Rowand.



Graphic: RUBY-GAY MARTIN Source. I-NET

Crusader has also suffered a knock-on effect from another Anglovaal insurance subsidiary, AA Life, which recently received adverse publicity.

The group is due to report results for the

□ To Page 2

Crusader Life

BDay 14/7/93

year to June and officials declined to comment yesterday, other than saying a statement would be issued soon.

In the year to June 1992, attributable income rose to R7,3m (R6,1m) on the back of a 38% increase in total net premium income to R160,7m.

(58)

Crusader earned a reputation for introducing a range of new products, entering health care with the launch of its first hospital plan in 1982.

The following year Crusader brought to the market the world's first policy covering dread diseases.

The increasing popularity of its health insurance products and rising medical costs were behind the jump in total net premium income in 1992.

The company made a successful move overseas with an investment of more than £20m in UK-based Pegasus Financial Holdings. Pegasus returned to profitability in the first three months of the current financial year.

The group's 1992 annual report said Pegasus management expected that profits for the full year and an acceptable return on shareholders' funds would be earned in financial 1993.

Two specialist unit trust categories get up steam

DUMA GQUBULE

SPECIALIST mining and resources funds, which have lagged the rest of the market over the past few years, may outperform their industrial counterparts in the medium term, University of Pretoria's Prof Hugo Lambrechts says. B/Day 14/7/93

Lambrechts, who compiles a quarterly survey of the unit trust industry, said yesterday pure gold funds over the past year had achieved the highest returns yet seen. But the sector was too volatile. Mining funds, on the other hand, were likely to show a steady improvement over the next three years as the commodity cycle changed direction with an upturn in world economies.

According to Lambrechts' performance figures, based on a lump sum investment, Old Mutual's funds came out tops in both the mining fund and gold categories for the year to end-June. (58)

Only GuardBank resources fund, with a return of 11,48% over the past three years, was able to deliver a double-digit return among the mining funds.

In the industrial fund category, GuardBank industrial fund was ahead with a return of 28,1% over the past year, compared with the industrial index's 6,63%.

Among the general equity funds, which comprise the bulk of the unit trust industry's assets, BOE growth fund, GuardBank growth fund and Norwich were the best over the past year with returns of just above 20%.

Over longer periods the situation was unchanged with Syfrets growth fund giving investors the industry's highest returns over three years, and GuardBank growth fund the leader over seven, 10 and 15 years.

Growthpoint's report qualified

ANDREW KRUMM

AUDITORS have qualified their opinion of Growthpoint Properties' annual financial results for the 17 months to the end of March 1993.

Should interest on a R24m loan have been charged at an effective annual rate during the loan period, the property company's R19 000 net income before tax would have decreased by R1,95m, auditor Coopers Theron Du Toit said. BiDay

Long-term borrowings would have increased by a corresponding amount. 14-7-93

Given that Growthpoint Properties reported net income of R19 000 on R29,7m turnover for the 17-month period, had interest been charged at an effective annual rate, the company would have been pushed deep into the red. (58)

However, "directors are of the opinion that the interest payable on (the) loan of R24m should be provided in accordance with the rates stated in the loan agreement".

Under the agreement, the loan bore interest at a commencing rate of 11,76% a year and escalated 10% a year to 44,7% in 2006. As a result Growthpoint charged interest on the loan amounting to R3,744m for the period to March.

The stepped-coupon loan facility was put in place to finance the acquisition of a property in October 1991.

At the year's end 11% of the portfolio was vacant compared to a 3,5% vacancy rate at end-October 1991. The increased vacancy rate and the age of properties in the portfolio resulted in an increased expense ratio.

No additional buildings were acquired during the period, directors said.

Gencor positioned to expand offshore

B/Day 15/7/93

ANDY DUFFY

THE decision by Gencor to cut its industrial holdings and add to its portfolio of oveseas interests leaves the mining house well placed to expand its international presence, market sources said yesterday.

The R862m deal with Genbel places the 4,8%-stake in TransAtlantic Holding, the UK-listed property and insurance group 54%-owned by Liberty Life, directly in Gencor's hands.

The stake, which together with Genbel's other offshore interests is valued at around R512m, was likely to be a useful "bargaining chip" in Gencor's attempt to buy offshore assets to sustain long-term growth, sources said.

"They (Gencor) have done well to get this (TransAtlantic)," one analyst said. "It will give them far more substance outside SA, which is exactly what they have been looking for."

Gencor is also in talks to buy Royal Dutch Shell's mining and minerals division Billiton, in a deal rumoured to be worth about $1,8bn.

In the past, the company has been stymied in attempts to expand overseas by Reserve Bank restrictions on finrand funding.

Though the Billiton deal would clear this obstacle because it could service its own borrowings, other companies have preemptive rights over certain parts of Billiton, which could force Gencor to pay over the odds.

"One of the key problems in bringing it (the deal) to a successful conclusion is the raising of the funding," Gencor chairman Brian Gilbertson said.

The stake in TransAtlantic could help, but he refused to be drawn on whether deploying it was now a key option. "We view it as a strategic investment."

Gilbertson said the share swap, the first major step in its unbundling, had dealt with Gencor's thorniest problem.

While other subsidiaries Engen, Sappi and Malbak effectively stood alone, Genbel — as portfolio manager and financing partner — was well entwined with Gencor. "We wanted to get these shares returned to Gencor. That was the principle purpose of the transaction," he said.

The deal bolsters Gencor's control over Kinross, Winkelhaak, Impala and Trans-Natal, in line with the company's aim to focus on its mining operations.

Under the terms of the deal, Gencor swaps 8,9-million Engen shares, 12,4-million Sappi shares and 5,1-million shares in Beatrix, cutting its holdings in each by roughly 5,8%, 8% and 6% respectively.

Genbel in turn has cut its resultant overweighting in Sappi and Engen by swapping a portion of the shares for a 5% stake in Murray & Roberts, a 1,8% stake in Absa, 10% of Mercedes Information Technology, and a minute stake in Malbak. Sankorp supplemented the R385m share deal with a R50m cash offer to Genbel.

Genbel chairman Tom de Beer said the transactions would "accelerate the transformation of Genbel from a passive investment trust to an actively managed and growth-oriented company".

The investments in Sankorp companies such as Absa would widen the spread of Genbel's business away from the commodity cycle. "We see Absa as a recovery situation," executive director Peter Cronshaw said. "The spread of investments now represents a good cross section of SA business."

B/Day

Gold producer halts hedging

GOLD producer Gencor said it had stopped selling production forward as it believed the gold market had entered a sustained bullish phase, but it was considering other ways of locking in higher prices.

"We stopped forward sales in May, but are searching for a strategy under the changed circumstances as it is still only the beginning of a bullish phase," Gengold division MD Gary Maude said.

Possible new ways of locking in a proportion of future output at higher prices included the use of put and knock-out put options.

"We were hedging for survival up to three months ago," he said. The group had hedged about one-third of total production until May 1994.

15/7/93

An Anglovaal spokesman said it had a flexible hedging policy and further hedging was likely. Anglovaal had sold forward 320 000oz of gold over the next two years.

Gold Fields does not hedge. It said this week the gold price rise was not sustained enough yet for its mines to increase capital expenditure.

Anglo American said it had not increased its hedging position since April. "Anglo has not added to its hedging position since it perceived a more favourable trend in the gold price." — Reuter.

Absa to recruit top corporate bankers

B/Day 15/7/93

(58)

JANE ARBOUS

ABSA's new CE Danie Cronje says the group is looking for new corporate banking expertise.

Attracting bankers from rival groups would also be a strong signal to the market that things had settled down at Absa after the rationalisation of the past two years, he said.

"We've had some very interesting inquiries from top bankers," he said in a interview.

Dismissing criticism that Absa's corporate culture was too Afrikaans for such a broadly-based group, Cronje said it was well balanced.

Absa, SA's biggest banking group with an asset base of R83bn, has completed the most difficult part of its rationalisation and digestion of two major mergers, he said.

As a result of losing customer focus, Absa recorded no growth in advances in the past financial year to end-March while advances in the rest of the banking industry rose 9%-10%.

Analysts say the area of corporate banking is where Absa has lost the biggest market share.

Planned expansion in corporate banking was tied to providing a comprehensive international service, and Absa also wanted to increase its nonrand income, he said.

Absa's priority after the disruption of the past two years was to stem the loss of market share and resume sustained growth. — Reuter.

Sage plans further disposal of investments

Star 15/7/93

The Sage Group expected to achieve a similar growth in profitability in the current financial year compared to 1992/93, according to its latest annual report. (58)

"While the degree of impact on profitability will be influenced by the timing and extent of investments earmarked for disposal, the increase in earnings should at least equal that of the year under review," chairman Louis Shill said.

The financial services group, focused towards the insurance sector, has achieved an annual compound growth rate of 26,5 percent in earnings a share and of 19,3 percent in dividends a share over the last five years.

The report said the further disposal of investments was being planned with a view to enhancing the financial structure of the group.

Furthermore, the group was budgeting for increased contributions from each of the elements in the financial service divisions.

Gerard Steinmetz is currently the chairman of the Sage Group for Shill's period of office as Minister of National Housing and Public Works, expected to last one year.— Sapa.

Privatisation 'is only way' to escape country's debt burden

Star 15/7/93

By Tom Hood

The only way the country can escape its crippling debt burden is to privatise some of the R550 billion of State-owned assets, says the South African Property Owners Association (Sapoa).

The government is borrowing money on the capital markets to fund spending — and a major part of that spending is interest, Derek Stuart-Findlay, past president of Sapoa, warns in the latest Sapoa newsletter.

He says interest on borrowings is now consuming more than 18 percent of total government spending, compared with 10 percent 10 years ago.

"If interest costs were stripped out of the 1993-94 budget, virtually the entire deficit would be wiped out. The government, therefore, is borrowing on the capital market merely to service its existing debt, equivalent to a 'debt trap'. An ominous legacy is being created."

Threat to recovery

In an economic upturn, current levels of public sector borrowing could crowd out the private sector in capital markets. Interest rates are likely to rise and strangle any recovery almost before it starts.

Few industrial economies could boast that public spending today was lower as a percentage of GDP than it was in the mid-1970s, but Britain is one example.

Between 1989 and 1992, it raised R235 billion in privatisation receipts, of which R40 billion was raised in 1992 alone.

Globally, R250 billion was raised by governments in 1991 and worldwide cumulative privatisation receipts have totalled R1250 billion.

"Privatisation has proved popular with a range of governments in Western Europe, North America (Mexico is privatising more than 460 nationalised companies), South America (Argentina is privatising a third of its road network), the Pacific Rim, Asia (including countries like Pakistan and Bangladesh) and at least 30 countries in Africa, including devastated economies like Tanzania, Uganda and Mozambique."

A World Bank study concluded that merely shifting State-run firms to the private sector brought about a positive difference.

Public sector

In South Africa, about 33 percent of the official workforce is in the public sector. The government controls extensive assets either directly or through para-statals.

As an example, the SA Rail Commuter Corporation controls land holdings worth R1,7 billion.

The public sector is also a major consumer of goods and services, including lettable commercial space.

Derrick du Toit, chief director of accommodation in the Department of Public Works — responsible for 80 percent of all accommodation required by the State — recently said the department leased 780 000 sq m of office space in Pretoria, representing 33 percent of the accommodation in the city's office blocks owned by the private sector.

It was department policy that ordinary office accommodation should be erected by the private sector while purpose-designed buildings like police stations and court buildings be built by the State.

With the probable devolution of State functions to regional authorities, there was no need for the State to be involved in further office development, said Du Toit.

In future, it would be involved rather in consolidation and better use of existing accommodation.

Stuart-Findlay said: "Sapoa endorses this approach, but believes the public sector also should look towards a substantial privatisation programme of public sector assets."

Total public sector assets had a book value of about R550 billion expressed in terms of 1992 money.

Assuming these assets were sold at book value, deficits of the size anticipated for the 1993-94 year (R25 billion) could be financed for the next 22 years.

"We estimate that if buildings only are taken out of the total and sold at book value, the deficit could be funded for three to four years.

"The principle, we believe, should be that the proceeds of these sales of public assets should not be used to fund public-sector current expenditure by financing deficits, but should rather be used to retire public debt."

Government debt

The book value of fixed capital stock controlled by general government alone appeared to be about R270 billion. Total government debt was about R150 billion.

Assuming a sale of these assets at book value, the whole of the total debt could be retired, leaving a surplus of an impressive R120 billion which was about one-third larger than the size of the total assets of Old Mutual, South Africa's largest life assurer in terms of assets.

By taking this course of action, the government, by excluding interest on public debt, would be able to balance the budget.

S Africans will fall for any glib, get-rich-quick hawker

Star 15/7/93

Dubious yet glib share hawkers have made a killing over the years through sharp "investment" schemes. These operators have offloaded unlisted shares in no-hope companies to a gullible public enticed by high-pressure selling techniques. Star Line's JUNE BEARZI puts the spotlight on some of these schemes.

A fuel-from-sawdust project launched by SA Ethanol Fuels Ltd had the public scrambling to snap up a R2,8 million one-off share offer. The investors were promised profits of tens of millions.

But the venture backfired badly and eight years down the line not a single investor has received a cent.

Promoter Ken Buckerfield, formerly of Johannesburg, cannot be traced and the makeshift "pilot fuel plant" in Tzaneen in which the money-making sawdust solution was to be brewed lies in ruins.

The public, however, appear to be unfazed by the dismal track record of such operations and are still easily baited by get-rich-quick salesmanship and promises of listings on the Johannesburg Stock Exchange (JSE).

Many of those who have fallen victim to these schemes come from the ranks of the unemployed. In many cases people were persuaded to sink their retrenchment packages into ventures which would "treble their money within two years".

The main arenas in which these share hawkers operate are industrial and mining shares, venture capital and "fruit and nut" farming schemes.

Two years ago, thousands of people burnt their fingers by buying major stakes in unlisted gold and diamond mining companies Multi Gold Holdings, Mazuma Mining, Montrose Mining, Growth Equities Ltd, De Kaap Gold Mining and Gemgold Ltd. All these were different schemes.

Instead of the JSE listings which they were told would bring them "instant riches", investors have only worthless share certificates, depleted bank accounts and no hope of recouping their cash. (58)

Zirk Engelbrecht, the brain behind Growth Equities Ltd, left the country with a trail of financial chaos in his wake and allegedly has a R7 million nest egg in a Swiss bank account.

Since the early '70s, entrepreneurs have persuaded South Africans to invest more than R50 million in exotic agricultural products.

These agricultural investments have afforded promoters lavish lifestyles.

Top salaries and company loans of about R1 million are not unheard of. Disgruntled investors, however, have been unable to secure profits.

Bag of tricks from shady brokers

An expensive-looking, glossy prospectus issued in terms of the Companies Act and featuring the names of doctors and professors as "board members" or "expert consultants" can lend credibility to bogus investment ventures.

This is one of the tactics used by shady "business brokers" to lull the public into a sense of security and to create an image of a clean, solid enterprise.

After the company is formed, a hardsell drive is launched and the public is offered shares with a promise of a stock exchange listing.

But the colourful jargon and extravagant promises made by these operators can be meaningless.

Bid to save loans for cheap homes

B/Day 15/7/93

GRETA STEYN

THE Urban Foundation's Home Loan Guarantee Company is negotiating new insurance lines to enable continued private lending at the bottom end of the housing market.

The company arranges insurance for banks active in the low-cost housing market. (58) (123)

Figures provided by the company yesterday showed it had financed properties worth R539m since it started in 1990.

It is understood that the amount represents the bulk of lending by banks to home buyers in townships in the past few years. Banks prefer to link granting of loans to insurance against default.

The amount compares with a more than R28bn increase in banks' mortgage advances between July 1990 and the first quarter of this year.

Insurers are assessing their risk exposures at the moment and negotiations are understood to be tough.

Comapany manager Duncan MacArthur said yesterday that if individual insurers decided to stop providing additional cover, new sources would be found. He was confident that the round of negotiations would be successful.

In the present negotiations, the company would have to provide further indemnity funds over and above the R19m already committed to raise the overall amount of insurance.

While insurance worth R103m had been provided, the company stood to pay a maximum of the first R19m over the five-year insurance period to the banks involved in the case of a major default.

"The situation at the moment suggests the company will not have to pay out the full R19m and a figure closer to R14m seems more likely," MacArthur said.

Urban Foundation CE Sam van Coller acknowledged that the company had had teething problems in mobilising private funds for lending at the bottom end of the market. But it had succeeded in making finance available at a time when financial institutions were hesitant about getting involved in the market. "The initiative has shown that normal bond finance can work at that end of the market," he said.

The company has facilitated about 16 000 loans at an average value of R30 000. There were 12 signatory banks when the initiative was launched, but only the Perm, Standard, Allied, UBS, FNB and Saambou had used the scheme, with the Perm the acknowledged market leader.

FM 16/7/93.

(58)

It can only get better

Analysts are generally optimistic about Absa's chances this year

Ever since Absa bought Bankorp 18 months ago, our biggest bank has consistently been rated poorly by the investment community.

The financial results for the year to March 31 should have appeased a sceptical market. They did not. That was mainly because chairman Herc Hefer told an incredulous audience of analysts and investors that he expected capital adequacy requirements would be insufficient within two years.

It needed only three words — "problem" coupled with "rights issue" — to set alarm bells ringing in Diagonal Street.

And, when bad news is around, little attention is paid to any qualifying comments — which is precisely what happened to the amplifications made (before Piet Badenhorst's resignation) by Hefer and the then deputy CE, Danie Cronje. To be fair to Hefer, when he delivered his fatal lines he added that Absa wouldn't necessarily seek fresh capital through a rights issue. But his presentation was clumsy and his audience, programmed by successive snippets of bad news over preceding months and an increasingly poor perception of Absa, rushed off shouting "rights issue!"

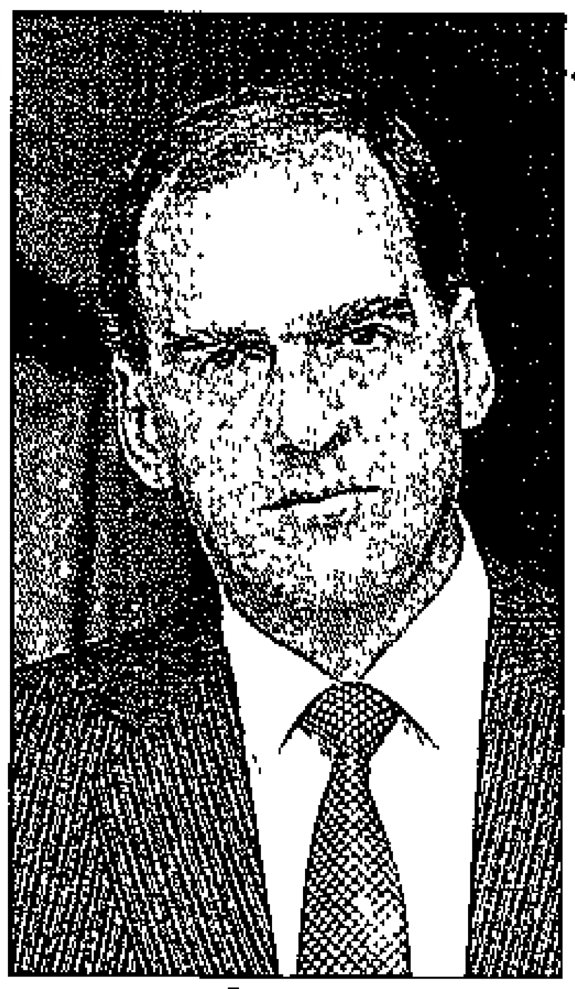
Absa has paid the penalty through a dip in the share price, which resumed its erratic course and shed 40c over succeeding days to slip to R9 (now back at R9,50).

Cronje, now heading the bank after Badenhorst's surprise departure, says he wants to put the record straight. "Absa neither has the need nor the intention to make a rights issue within the next two years," he told the *FM*. Asked if he appreciates that this is directly counter to the market's understanding and his own chairman's, Cronje says: "We don't want to issue more shares — and, in any event, a rights issue makes no sense with our present rating."

Cronje says he will address any future capital needs by looking at alternatives. "Absa has all the capacity in the world," he

FM 16/7/93 (58)

says, "to raise second-tier capital if it becomes necessary." That could be achieved by issuing debentures or making use of other instruments. But Cronje, who firmly believes Absa's capital adequacy ratios will be perfectly satisfactory for the foreseeable future, won't be drawn on timing.


Cronje

Of course, Absa after Badenhorst will be a different place for many people. Not least among them will be chairman Hefer — and the debacle over the rights issue that didn't exactly improve his standing. The *FM* has already speculated (*Fox* July 2) that Hefer might not long survive the passing of Badenhorst. Board changes must be a real possibility; the AGM on August 27 may provide a good opportunity.

Absa's financial results certainly weren't spectacular in terms of earnings growth — up only 12,3%. But they showed a workmanlike approach to some huge problems. After all, this is a bank which has had to swallow about R25bn of assets, mostly from Bankorp and some of very dubious quality. And it has had to do this in a year when it has also had to address mass rationalisations — the most difficult being the retrenchment programme which saw the bank shed 5 000 employees.

half from natural attrition, bringing in its wake declining staff morale.

Prudently, and rather as the market expected, Absa provided a colossal R781m against bad and doubtful debts. That takes the bank to an increase of 73% in its provisions in this area; Absa's ratio of bad debts to average assets is the highest among the four big banks.

Is the R781m really adequate to cover potential write-offs? Cronje is adamant it is. The books, he says, have been thoroughly examined, the auditors have searched them from top to bottom and, besides, Absa is highly conservative about its provisions. And he's quick to point out that half the advances book — about R31,7bn — is against mortgages which require lower provisions.

Of course, one of the important questions for 1994 is what Absa will provide for bad debt. Cronje won't commit himself, nor will he comment on whether the provision will reduce. "That's for you to estimate," he says. However, if earnings are to be lifted above this year's pedestrian 12%, it's unlikely to be achieved unless the bad debt provision is indeed reduced.

And unless Absa picks up some unusually bad business in the next few months, Cronje will probably find it unnecessary to maintain 1993's level. A reduction of, say, 20% would release about R150m, which could translate into an increase in pre-tax profits of perhaps 15%. That would certainly contribute substantially to bringing Absa's bottom-line earnings into line with other banks.

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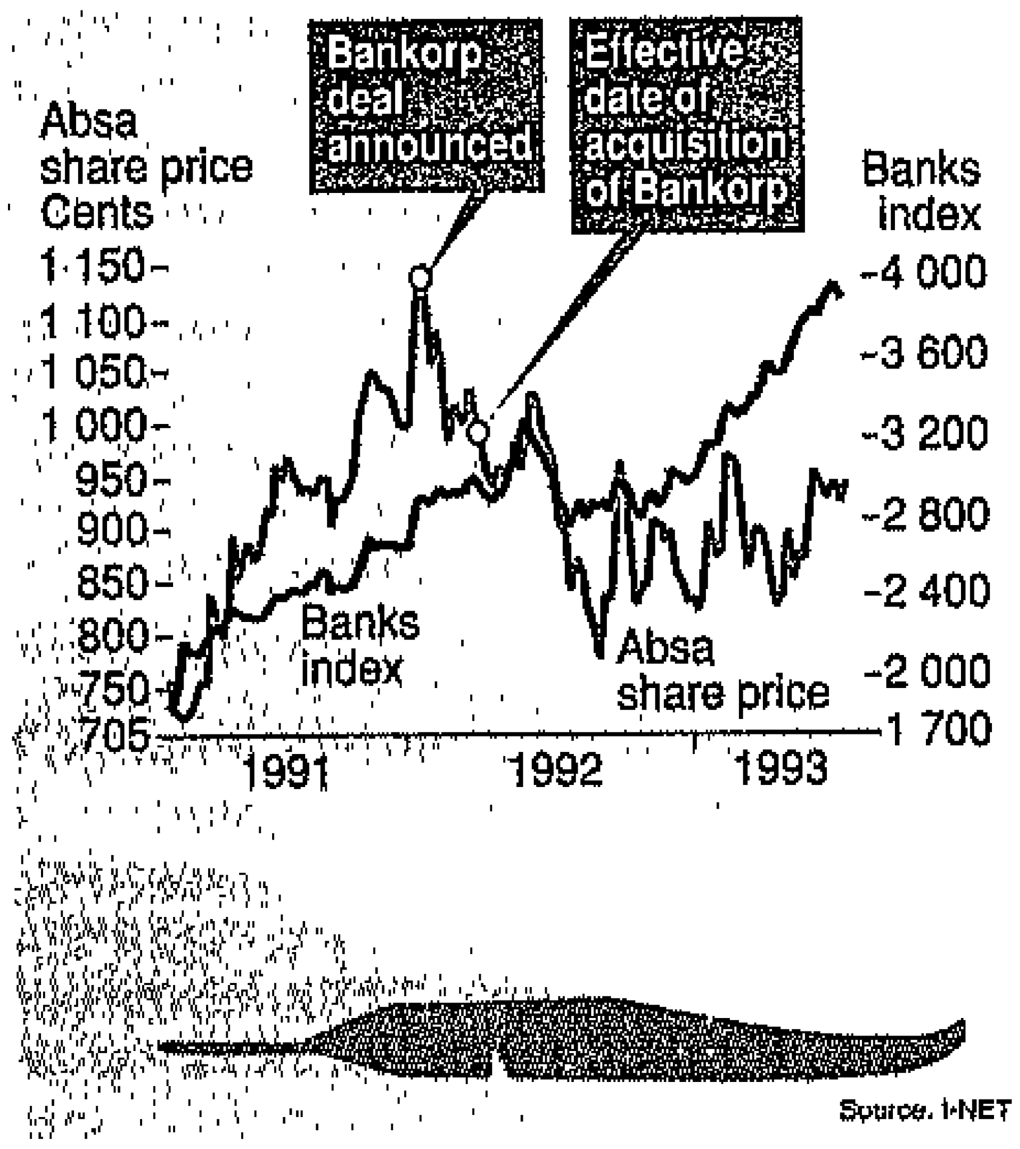
The Bankorp albatross
Absa and Banks index



In fact, JSE analysts are fairly optimistic about Absa's chances of doing well this year. Ed Hern Rudolph's banking analyst Alan McConnachie believes earnings could grow by 15%. Martin & Co's Richard Jesse, even more cheerful, says they could improve by as much as 18,7%. And, provided the nasty worms have been removed, that seems a reasonable target for Cronje.

The balance sheet appears to be in good health. The 50% increase in advances to R63bn and 46% increase in deposits to R71bn, arise largely from the merger of the Bankorp book. As such, the rise is misleading if read out of context. In real terms, Absa's assets have actually decreased marginally over the year. However, reserves have been built up to R2,2bn, compared with last year's R1,3bn; cash holdings and money on call have advanced 43% to R2,7bn.

The excess paid by the group over Bankorp's net assets of R289m has been written off the share premium account. However, with the balance increasing from last year's R958m to R1,659bn at balance sheet date, the goodwill write-off isn't significant.

What it does, however, is to raise yet again whether the purchase of Bankorp was really necessary and clever. Badenhorst and Cronje say it was, but you wouldn't expect them to say any different. Part of the rationale behind buying Bankorp was to reduce Absa's lopsided exposure to the home-loans market — at one stage, the business made up 70% of total assets. Bankorp offered the group a broader spread of assets. With it came the risk of picking up bad debt.

Certainly it is true that Absa's assets are now better balanced. However, the bad debt experience has been severe. And Absa has lumbered itself with the TrustBank image — hardly the best. Building a reputation is exacting and time-consuming; losing it is easy. And once handicapped with a perceived poor record, it requires prodigious efforts to turn it around. In those circumstances, the payment of R289m in goodwill to a Sanlam probably desperate to get rid of the albatross once and for all, raises some eyebrows.

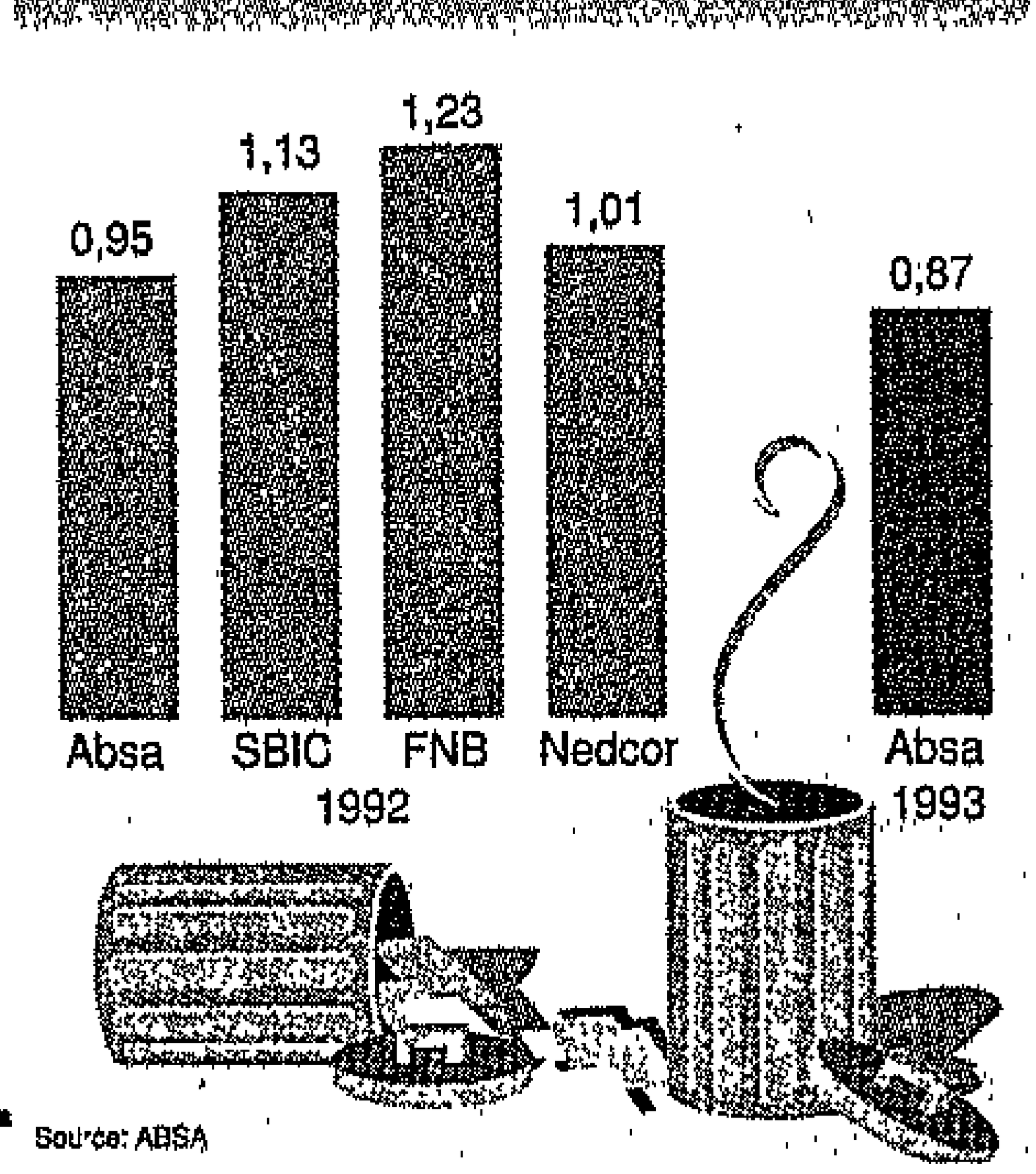
It's no secret Absa has lost market share. It is both a public perception and something about which the group's competitors chortle with ill-concealed glee. So Absa's biggest immediate challenge will be to regain — and if possible, to increase — the share it has lost almost in all areas of banking acitivity. Reserve Bank returns (DI/900s) show Absa's biggest declines to be in the corporate market — the most important — where its share of deposits has fallen 7%, according to JSE analysts, and private-sector loans where it's lost 9%.

Cronje admits that market focus became blurred while the merger and rationalisations were taking place. And it became essential in some corporate areas to manage the lending book down, especially where the merger came with serious over-exposures. "But there's a definite need," he says, "to improve our share of the corporate market. Certain structures need to be finalised, expertise must be put in place and then we can concentrate on growing our corporate business."

Cronje must know he will have a fight on his hands as he tries to restore lost market share. This illustrates the poverty of the Bankorp deal. It was supposed to be part of the underlying rationale that Bankorp would bestow on Absa competence, expertise, technology and better access to the corporate market. Instead, it's been a monster headache. The technological benefits might still materialise, though a lot of that will be thanks to Absa's own abilities in this area. And the expertise seems to have evaporated, judging by the few remaining senior executives from the former Bankorp.

Absa has assets of more than R82bn. That makes it the biggest bank by far, way ahead of nearest rival Standard with R54bn. But while the other banks have been growing their assets (year to March, Standard up 16%, FNB 13%, Nedcor 10%), Absa's asset base has fallen 2%. "We don't like it," admits Cronje, "but you can't grow assets during a period of rationalisation like the one we've just been through."

Rotten returns
Return on average assets (%)



And the giant shows the poorest return on assets (RoA) — 0,87%, while the rest all turn in better than 1%. However, Cronje emphasises that though RoA fell during the year, it has now resumed its upward momentum. Cronje is aiming to achieve an RoA of 1% within the next two years. That would be a significant improvement for a bank with half its assets in mortagages where returns are lower

"What's more important," says Cronje, "is to improve Absa's return on equity." At 15%, it's about 5% short on average of the turn produced by the other big banks. This will clearly be an area of focus in 1994.

As an investment sector, banking is expensive with both Standard and FNB looking fully valued. Even Nedcor, the flavour of the last few months, is firming to the point where the share is beginning to look fully priced. Absa, back to R9,50 after the "rights issue" debacle, is still below its 12-month high of R10 and the R11,60 which prevailed prior to the Bankorp acquisition. However, its ratings are dismal: an earnings yield of 4,6% compares with Standard's 1,9%; similarly its p:e of 8 compares with the sector's average of 16.

However, most analysts are now forecasting improved ratings and an increase in Absa's share price. Nor should that come as a surprise, now that Absa has put behind it the worst of the effects from the Bankorp acquisition and the subsequent rationalisation programme.

In fact, it will be the results from the current financial year which will give analysts and investors alike their first clear view of Absa Mark II. There will be no plausible or justifiable excuses for the executive directors. This will be stand or fall year; the critical area will be for management to show that Absa's assets can be made to work.

With a new CE who seems, so far at least, to have the support of the market and working off the base of a traumatic 1993, it appears the share price has good potential.

Meanwhile, Absa's executive directors must restore morale, dispense with their aggressive image and claw back market share.

One of the share's few advantages is that it has good liquidity; it is well traded. Not that Absa likes it. It has 90 000 small shareholders on its register who tend to sell whenever the price shows signs of improving. Of course, that immediately sends the counter into another downward spiral.

Nevertheless, high liquidity — once weak holders are out of the way — means that the share's gains, when it starts to move, should outstrip those from the other banks. For analysts and investors, the trick will be to work out the best opportunity to get on board. *David Gleason and Shaun Harris*

FM 16/7/93

BOND MARKET EXCHANGE

Another round

Do we really need a formalised gilts trading market? Twelve years since the idea was first floated, and after five years of consultation, discussion, negotiation, arm twisting and cajoling, the long-awaited plans for the formation of the much-vaunted Bond Market Exchange have still not been finalised.

The rejection this week by the Bond Market Association of the proposed rules governing the operation of the exchange, by a vote of 32-20, set the seal on a long fermenting institutional hostility to government interference in the marketplace.

Objections to the imposition of a compulsory, formal market for the trading of bonds, muted at first, have been growing for some months. The rejection of the proposed rules — themselves the subject of much agonising and redrafting — is merely symbolic of opposition.

The *FM* reported (*Economy* May 28) that the exchange would not receive a full licence to operate in terms of the Financial Markets

Cont

FM 16/7/93 ECONOMY & FINANCE

Control Act until it complies with all the requirements — and that includes getting its rules in place. Financial Services Board CE Piet Badenhorst, endowed with wide discretionary powers by Section 40.2 of the Act, can authorise the exchange to operate under an exemption.

What's more, he can oblige the association to operate the exchange under the rules it has just thrown out. The new exchange is scheduled to begin operations, taking over from the JSE's gilt market, today. So the question is: will he introduce the rules under fiat?

Badenhorst responds: "I've had further discussions today with important players in the Bond Market Association and with senior officials of the Reserve Bank. We hope to have made a firm decision by later this week. Meanwhile, I must emphasise we've taken note of the feelings of the association; we don't intend to ignore the perceived uncertainties giving rise to their resolution and we'll do our best to accommodate them."

Badenhorst says the development of the formal bond market has already been subject to unusually long delays. "Further development of the market needs to proceed in a structured manner to ensure government's decision (to formalise the market) is brought to a final conclusion."

Nor is Badenhorst happy with the prospect of further procrastination. The market, he says, is important and carries inherent risks because of the huge volumes traded and the consequences of a default in the absence of supporting capital are considerable.

"The relevant authorities," says Badenhorst, "are convinced the formalisation of the market on a phased approach should now commence without further delay."

The argument between institutions and the authorities centres on whether the trading of bonds should be handled compulsorily through a regulated, theoretically secure market, guaranteed by its members against all manner of peculation. The major institutions take the view that they should be allowed, if they deem it appropriate, to deal informally — off the market. They argue they've done it for years and can see no good reason why they should now be forced to put every trade through a market which will require that commissions must be paid.

ECONOMY & FINANCE FM 16/7/93.

However, to be fair to the authorities, they've gone some way down the line to accommodate the institutions. The Financial Markets Advisory Board, chaired by Reserve Bank Deputy Governor Chris de Swardt, has already recommended that an informal market should be permitted once capital adequacy provisions have been introduced. That means institutions will be allowed to deal informally provided they meet the capital adequacy ratios set down in law. Until that is done, the advisory board suggests the establishment of the formal market should proceed.

And, as with any formalised institution, there are many vested interests. The JSE and its members, for long the sole providers of a national secondary gilts market — by value, the seventh-biggest bond market in the world — have never been enthusiastic about sharing an important, lucrative operation with other members. Their position, in effect, is that the JSE already provides an adequate, efficient, guaranteed market. *David Gleason*

FSB's Badenhorst ... *discretionary powers*

Cont

his successor, Norman Lamont, was unable to maintain sterling's ERM parity.

Cutting base rates would be more popular, especially among Tory backbenchers, worried about the rising tide of unpopularity which has dangerously eroded support levels and is threatening to sweep the party to a humiliating defeat at the July 29 Christchurch by-election. A lower short-term return for international investors would cause some to sell sterling and have the additional benefit of stimulating consumer spending and the housing market.

But the move could backfire and boost the pound further, because foreign exchange dealers sometimes put a higher premium on economic growth than short-term gain.

"If interest rates are cut in a country where growth already exists, the tendency is for the currency to rise further," an analyst observes.

The government could decide to do nothing. Though sterling is enjoying a rise at the moment, the size of the public sector borrowing requirement, at £50bn this financial year, has raised serious concerns about the state of the public finances, which could undermine investors' sentiment towards the end of the year.

But a strong view in City dealing rooms is that present Chancellor Kenneth Clarke will cut interest rates by the end of the year — perhaps by one percentage point — because of the likelihood that the domestic economic recovery will falter.

Then sterling could go where it may. ■

HCI/FEDSURE/INVESTEC FM 16/7/93

A lifeline for control

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Fedsure and Investec's R100m equity injection is a lifeline for Hosken Consolidated Investments (HCI). Preliminary results show the four listed companies which comprise most of the HCI group with bottomline losses, resulting, mainly, from extensive write-offs related to investments in Tollgate Holdings, Time Holdings, and Abacus (see table).

HCI has also found a friendly suitor in the consortium, which, at least for the time being, probably won't interfere too much with the independence of HCI companies. A takeover by one of the large short-term groups could have been less gentle, with the premium income of main subsidiary IGI Insurance the only attraction.

But while the recapitalisation offers HCI a new lease on life, it could ultimately spell the end of subsidiaries IGI and Safrican Life (Saflife) — logically, it seems both must be absorbed into the Fedsure fold at some future date, though both Fedsure and Investec say this is not being considered.

The change of control resulting from the deal also spells the end of the Lewis and Hosken families' reign.

HCI executive chairman Michael Lewis says great care is being taken to avoid any fragmentation of the group. "We don't want companies to be broken up," he says. "IGI is a viable business — all it needed was a cash injection, now we can let it run," he says.

However, once the deal is in place — due diligence has just started, and details relating to the price per share, the extent of the shareholdings to be taken, and the form of the cash injection still need to be finalised — Lewis plainly will cease to have any real control over IGI and Saflife.

In the short term there seems little doubt the two insurance companies will be run separately; that, at least, will be the politically correct thing to do. But in the longer term greater co-operation with the insurance interests of Fedsure seems commercially logical, perhaps unavoidable.

IGI, in particular, could offer Fedsure's short-term arm Fedgen the critical mass it needs to become a significant player in the industry. Fedgen, in gross premium income only about a quarter the size of IGI, has been the underperformer in the Fedsure stable, largely because of its size.

The future of Saflife is harder to read. It operates largely outside the traditional life assurance market, concentrating more on funeral insurance and credit life in the blue-collar market. It could be totally absorbed into Fedlife's operations.

Lewis's position as executive chairman of HCI is unclear. He says he does not know what role he might play in the future: "Right now we are concentrating on tying up the deal and the due diligence," he says. But he is also adamant he has no plans for an early retirement.

Fedsure group CE Arnold Basserabie says he can offer little comment until due diligence investigations are complete, probably towards the middle of next month. But he indicates he is happy with the deal, and believes Fedsure will get a good return on its investment.

That's echoed by Edey Rogers analyst David Southey. "I think Fedsure and Investec are picking up assets cheaply. There's nothing wrong with IGI's basic operations, and the share seems to be underrated. HCI also offers Fedsure the sort of businesses that could be turned around quickly. I think they've picked up a good deal," he says.

What's in it for Investec? Executive chairman Bas Kardol says two immediate advantages spring to mind. "It strengthens the alliance we have with Fedsure (the bank and insurer will be equal partners in the deal), and offers us access to a wider network in the financial services sector."

The write-offs declared by the HCI group should mark the end of its bad investment experience. In terms of market capitalisation, the deal is big — HCI's market capitalisation is R84m, IGI R117m, and Saflife R185m. But the final price will no doubt also reflect the write-offs.

HCI has also settled its dispute with Amalgamated Banks of SA over a R33m put option on shares in the liquidated Tollgate. Lewis won't give details. *Shaun Harris*

WHAT THEY'RE BUYING

Year to March 31	1992	1993
HCI		
Net income (Rm)	47,3	42,0
Attributable (Rm)	19,9	20,9
Extraordinary items (Rm)	16,8	39,7
Earnings (c)	140	147
Dividends (c)	48	18
IGI		
Gross premium inc (Rm)	616	720
Attributable income (Rm)	23,3	44,6
Extraordinary items (Rm)	25,0	64,0
Earnings (c)†	173	230
Dividends (c)†	35	21

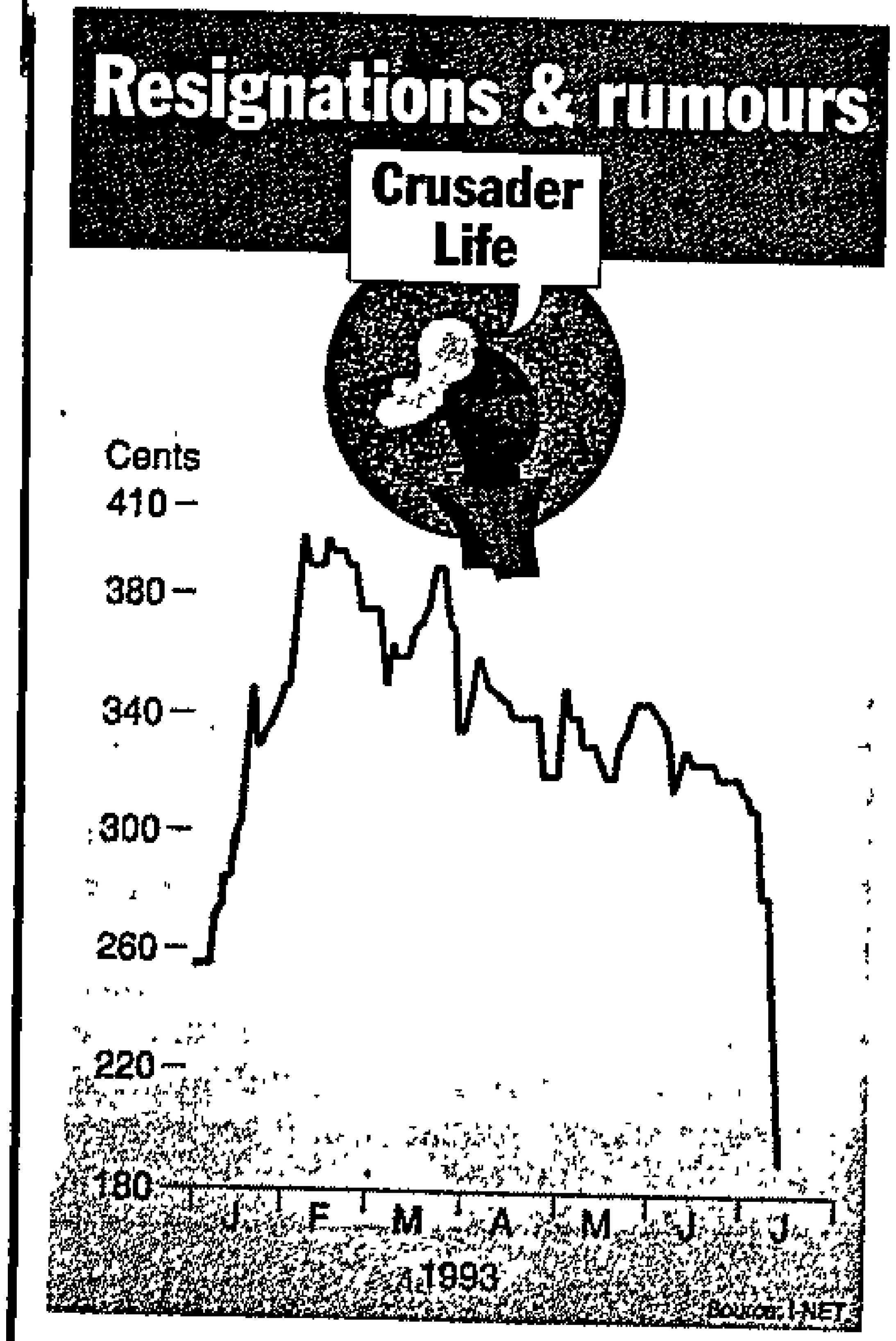
† Group figures.

AVINS/CRULIFE FM 16/7/93

Precipitous fall

Crusader Life (Crulife) MD Bob Rowand has resigned, three months after his brother Don, chairman of the life assurer, announced his resignation. But it appears that's only one factor which has pushed down Crulife's share price by more than 40%, to an annual low of 190c, since the beginning of the month.

FM 16/7/93



The share price of immediate holding company Anglovaal Insurance Holdings (Avins) has followed the trend, shedding 16c to 20c over the same period, while top company AVF has dropped from 105c to 90c.

Dave de Beer, MD of Avins and, since the resignation of Don Rowand, executive chairman of Crulife, says bad publicity from a recent consumer column in the *Sunday Times* as well as rumours in the market seems to be affecting the price of the shares.

Avins, 86%-held by AVF Group, has AA Life in its stable as a 95%-subsidiary, in addition to Crulife.

De Beer says Bob Rowand resigned "on amicable terms" and that it's unlikely a new MD will be appointed in the immediate future. Meanwhile De Beer is running Crulife as well as retaining the chair of AA Life, though he says he is spending more time at Crulife.

But, reading between the lines, it seems Bob Rowand's position probably became untenable after the resignation of his brother. Crulife management intimated in the past that they thought their share price was pulled down by the poor performance of AA Life. With De Beer heading the life assurer, a culture clash was probably unavoidable.

In addition to the resignations, De Beer says a recent article about 500 AA Life

Estate agents body beefs up its image

Star 16/7/93

Property Editor

The Institute of Estate Agents has adopted a new policy to improve its liquidity.

According to president Colin Sidelsky, it is also positioning itself as a strong representative body for the entire real estate industry.

Facing a budget shortfall of R750 000 earlier this year, the institute has cut head office staff and salaries, reduced the amount of office space occupied and curtailed the duplication of functions by its head office and Southern Transvaal branch.

It has also appointed a business consultant to advise on ways to improve its functioning.

Sidelsky says: "We are looking at ways of adapting in order to position the institute as a strong representative body for the industry."

This aim must be seen in the light of recent remarks by Professor Louise Tager, chairman of the Business Practices Committee, on a proposed new national consumer protection policy.

(58)

She said this would depend on a network of self-regulating bodies, which would take primary responsibility for the discipline of members of each business sector.

The BPC had devised a system, she said, whereby each self-regulating body would submit a code of conduct — such as the recently gazetted code for estate agents — for approval.

At present, the statutory Estate Agents' Board is the body to which consumers must turn in the event of a real estate dispute, but there have been widespread calls for it to be disbanded, or merged with IEASA, so that there would indeed be one "controlling" body for the industry.

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16/7/93

AVINS/CRULIFE FM 16/7/93

Precipitous fall

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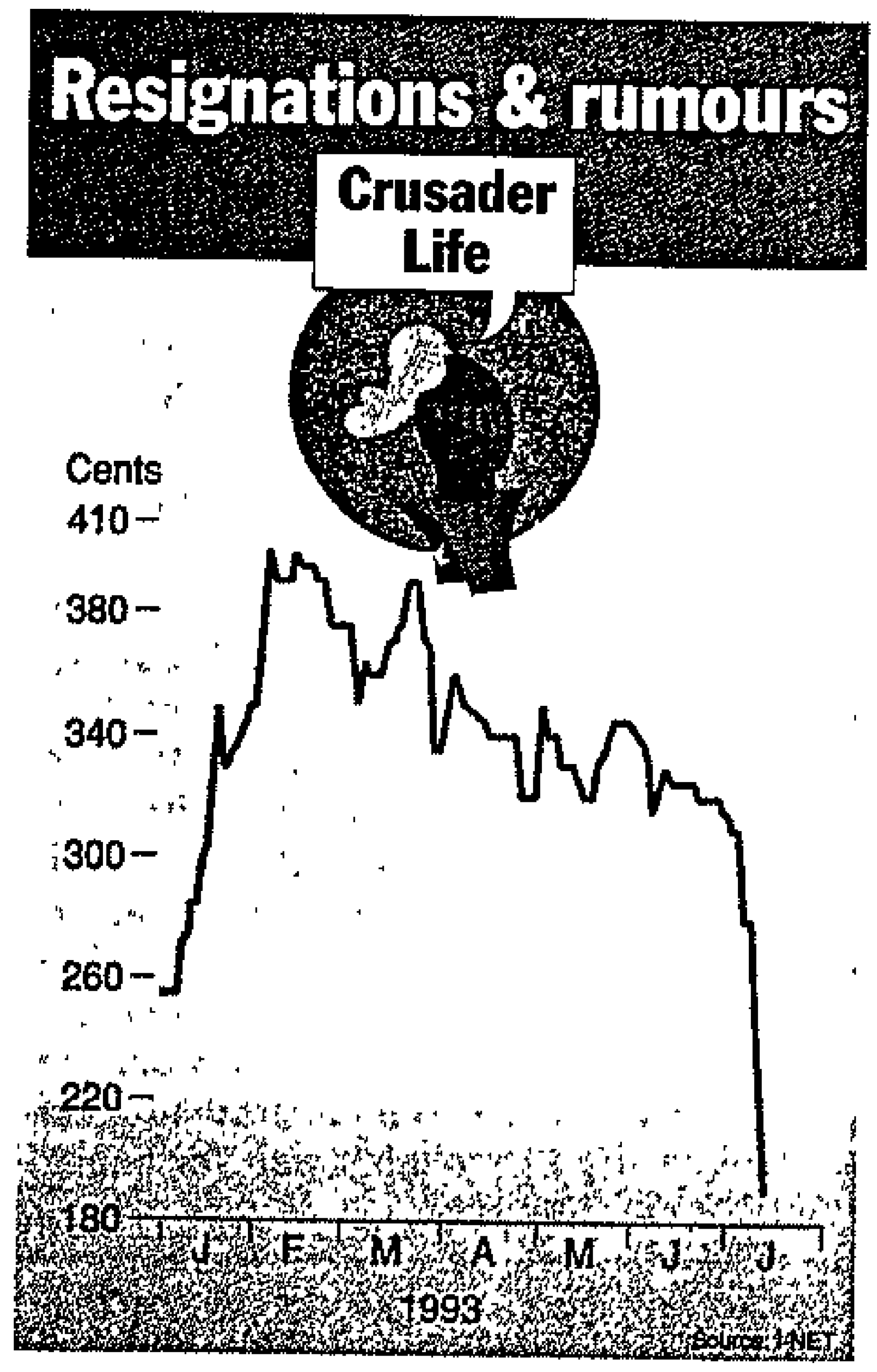

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FOX FM 16/7/93 58

clients who could be receiving a considerably lower payout than expected set off a number of rumours in the market.

"One was that AA Life was to be put under judicial management — that's simply not true. Another was that I was going to resign, again not true," De Beer says.

Still, the talk has taken a heavy toll on the value of the group's shares. De Beer concedes that both AA Life and Crulife have had a difficult six months, but adds that their financial year-end has just passed, so he can't say much about results.

"AA Life is going through a consolidation, but I'm happy with the progress made over the past year," he says. Crulife, which has been a relatively strong performer in the group, clearly has not met expectations in the past six months.

At the interim Avins had negative shareholders' funds of R32,1m, though this was covered by R35m from major shareholders Anglovaal and Absa, subscribing for zero coupon redeemable prefs in AA Life.

Crulife kept earnings static for its first six months, on an increased number of shares following an earlier rights issue.

The drop in share prices, particularly Avins, could offer scope for investors prepared to take the risk. A more prudent investor though should probably wait for annual results to be published.

Shaun Harris

Bond market formalised

TIM MARSLAND

GOVERNMENT yesterday announced that the bond market would be formalised from today after market players failed to agree on taking the step themselves.

Financial Services Board (FSB) executive officer Piet Badenhorst said major factors that brought about the move were the absence of adequate supporting capital held by traders against exposures, the volume and value of transactions and the potential for defaults. B/Day

He said a phased approach would culminate in a licence for a bond market exchange being issued next April. 16/7/93

He added that from today, all bond transactions would have to be made through a member of the Bond Market Association. Anyone who traded otherwise could face a fine of R100 000 or five years' imprisonment. (58)

However, capital market brokers said they would resist the move and threatened to test government's resolve in enforcing the regulations.

One dealer pointed out that the SA Treasury would not be allowed to deal with institutions like Liberty Life, because neither were BMA members.

The move will see the gazetting of an exemption, with effect from today, from most of the provisions of the Act. This will

☐ To Page 2

Bond market B/Day 16/7/93

☐ From Page 1

allow the association and members to trade in bonds — including options on bonds — under certain conditions until a licence for an exchange has been issued.

All trades will have to be reported to the association from September 2. (58)

Settlement risk will be reduced with the introduction of centralised settlement of Thursdays and a central depository for the safe custody of securities.

A guarantee fund to safeguard investors will come into effect from September 2 and full electronic clearing and settlement will be introduced in April 1994.

JSE gilts traders would operate as normal, Badenhorst said. The new rules would affect other non-JSE players.

Insurers to set up ethics board

ANDREW KRUMM

THE Life Underwriters' Association will establish an ethics board for the insurance industry which, with official support, will give it teeth to censure any unscrupulous behaviour by members and non-members.

Executive director Hennie Oosthuizen said adequate regulation of insurance salesmen had become urgent, with calls being made to offer the public recourse against unethical behaviour. Bj Day

The association had decided to establish an ethics board to receive and investigate complaints, and penalise brokers and agents where required. The board would be launched in mid-August. 16/7/93

"Certain regulatory mechanisms have been in operation for years in the insurance industry. However, it is common knowledge that various shortcomings exist."

These included the inability of organisations like the Life Underwriters' Association and the SA Insurance Brokers' Association to penalise non-members for unscrupulous behaviour, and the lack of a mechanism to investigate public claims.

With the sanction of the authorities, an ethics board would be able to initiate disciplinary action for unethical behaviour irrespective of whether the person involved was a member of the association. (58)

"At this point we have the tacit support of the insurance registrar, certain commissions of inquiry into insurance and investment matters, and the business practices committee."

Oosthuizen said the planned ethics board would not usurp the insurance ombudsman's role, but rather complement it.

"The ombudsman deals with policy problems, while the board, a self-regulating entity, will deal with any public dissatisfaction with intermediaries."

Wednesday, July 14 quotations for unit trusts

General Equity Funds	Buyers	Sellers	Yield
ABSA	151 00	141,25	5,11
BOE Growth	168,08	157,04	2,74
C.G.F	N/a	N/a	N/a
CU Growth	130,10	121,46	3,42
Fedgro	136,69	127,61	4,40
Guardbank	2764 95	2571,18	4,33
IGI	140,91	131,78	3,08
Momentum	272,42	255,45	3,62
Metfund	213,07	200,08	3,56
Metlife	125,34	117,12	5,98
NBS Hallmark	1002,01	935,69	4,23
Norwich	414,13	386,73	3,14
Old Mutual I/F	2862,14	2666,23	3,61
Old Mutual Grth	244,07	227,41	N/a
Sage	2582,76	2408,64	3,48
Sanlam Trust	1707,68	1598,12	3,27
Sanlam Indx Trust	1323,44	1238,80	3,90
Sanlam Prime Gr	476,56	446,52	4,70
Southern Equity	219,70	205,59	3,69
Standard	1236,35	1161,90	5,72
Syfrets Gr	N/a	N/a	N/a
Syfrets Trust	N/a	N/a	N/a
UAL	2220,27	2084,48	5,04
Specialist Equity Funds			
ABSA Ind	131,78	123,27	4,10
Guardbank R/F	178,88	166,10	4,42
Guardbank Ind	134,12	125,63	4,82
Old Mutual Top Comp	260,91	242,97	3,58
Old Mutual Ind	373,78	247,67	3,52
Old Mutual Min	312,99	291,48	3,06
Old Mutual G/F	184,03	171,37	2,77
Sage Resources	131,77	122,90	4,07
Sanlam Ind Trust	1052,44	985,50	3,62
Sanlam Min Trust	303,21	283,62	4,41
Southern Min	147,15	137,96	3,69
Southern Pure	126,08	117,98	N/a
Standard Gold	250,68	234,95	3,45
Standard Ind	108,21	101,96	8,45
Standard Inter	112,15	104 86	4,44
UAL M/R	396,81	371,14	3,51
UAL S/O	1983,47	1854,80	3,47
UAL Managed	1116,62	1051,86	1,25
Income/Gilt Funds			
BOE People's Inc	99,84	98,78	N/a
Guardbank Inc	116,63	115,41	13,32
Metboard Income	108,23	107,10	12,63
Old Mutual Income	109,31	108,12	13,23
Southern Income Fund	545,70	534,78	N/a
Standard Income	93,01	92,05	11,71
Syfrets Inc	107,59	106,51	12,97
Syfrets Gilt	1083,08	1072,25	12,28
UAL Gilt Trust	1207,59	1195,52	12,78

Old Mutual specialist funds surge

58

South 17/7 - 21/7/93.

Old Mutual's fully invested strategy paid off handsomely in the June quarter with its specialist funds turning in fine performances.

"On a 12 month basis, Old Mutual Gold Fund led the pack, beating the All Gold Index with an 85,93% gain, followed by the Mining Fund (which also outran the Index) with 29,38%.

"In addition there were strong inflows with assets topping the R4 billion mark for the first time and assets in the new Growth Fund are already over the R86 million mark after three months trading."

Senior Portfolio manager Adrian Allardice says the performance was achieved due to the higher gold price, the fully invested strategy and superior share selection.

"Provided the markets remain firm we anticipate that the positive trend will continue with accelerating performances form manu of the funds."

The Growth Fund portfolio, released for the first time, shows a balanced mix of established blue-chip and emerging growth companies.

The top 10 shares are Anglo's, Engen, Anglovaal-N, National Selections, Remgro, Richemont, Anamint/De Beers, Barlows, LTA and Sasol. Fund manager, Arnold Shapiro says the Top 10 does not contain the smaller companies due to limited marketability and the 5% rule which limits a unit trust's holding in such companies.

Smaller companies held by Growth Fund include ABS, Jasco, Uniserv and Barnex. Many of these smaller companies are expected to grow quickly over time and will thus become larger components of the portfolio.

Part of the fund's performance came from its gold share holding, although still below the JSE weightings. Other counters which performed well were Trans Hex, National Selections and Anglos.

Mr Shapiro says that current level of liquidity of around 30% reflects a somewhat cautious stance on the market, but the Fund is aggressively seeking new investments.

The Gold Fund continued to improve the quality of its portfolio without affecting performance during the quarter. There were no new holdings but the stake in Amgold (1 700). Driefontein (48 500) GFSA (1 000), Oryx (100 000) and Vaal Reefs (1 000) were increased. Holdings sold were ET Cons, Randfontein and Unisel. Sales included Beatrix (6 000), East Dagga (50 000), Ergo (150 000), Harties (150 000) and Randgold (786 277).

The top 10 holdings are Driefontein, Amgold, Elandsrand, Southvaal, Beatrix, GFSA, Vaal Reefs, Welkom, Harties and Zandpan.

The Mining Fund sold its entire stake in Ergo and Unisel, but bought Anglovaal Holdings part. prefs (8 600), Driefontein (56 500), GFSA (6 000) and PGM (21 100).

Sales included ET Cons (100 000), Lonrho (200 000), Randgold (252 460), Rusplat (10 000) and Southvaal (5 000). The 10 largest holdings were: Anamint/De Beers, Southvaal, Anglos, CMI, Gencor/Genbehr, JCI, Anglovaal, Driefontein Cons, Potgietersrust Plat and Beatrix.

Improved performance from the country's largest unit trust, the R3,5 billion Old Mutual Investors' Fund was seen in the quarter thanks mainly to lower liquidity and the rebound by De Beers which accounts for some 7,5% of the portfolio. Some 50% of the portfolio consists of rand hedge stocks and Investors Fund will benefit from any weakening of the rand.

Among the holdings to be increased were Amic (17 294), Engen (50 000), Genbehr (75 400), GFSA (3 000), Natsel (87 000) Nedcor (40 703) and Sa Brews (78 800).

Sales included Richemont (46 200), New Wits (219 300), Harties (200 000) and De Beers (42 800).

The top 10 holdings were: Richemont, Anamint/De Beers, Rembrandt, Anglos, Barlows, Safren, Gencor, Sasol, JCI and Anglovaal Ind.

There were few changes to Top Companies Fund's portfolio, apart from a new holding - Scharrig Mining and an increase in Anglos (11 400) and Barlows (16 500).

The top 10 holdings are: Richemont, Trencor, Anglos, Anamint/De Beers, Dimension Data, Scharrighuisen, Gencor/Genbehr, Santam, Lenco and Sechold.

The industrial Fund was more active, buying Uniserve B Convertible Prefs, selling the holding in Safren and increasing the stakes in Barlows (10 000) and Nedcor (1 484).

The top 10 holdings are: Richemont, Mobile/Trencor, Dimension Data, Reunert, Absa, SA Brews, Toco, Liberty, M&F and GDM.

Old Mutual Income Fund which is showing a return of 14,71% for the past 12 months bought two new stocks during the quarter. Fund manager Adre Smit says the two new gilts were the 15% 1996 SA Housing Trust and the 9,5% 1994 Transnet.

The holding in Escom 9,25% 1994 was sold. The stake in the RSA 15% 1994 was increased while the fund decreased the holding in the 12,5% 1995 RSA.

Cosatu 'starts to talk business'

CT 17/7/93 (58)

By AUDREY D'ANGELO
Business Editor

THE Council of SA Trade Unions (Cosatu) is now talking almost the same language as business and the government, says Liberty group vice-chairman Dorian Wharton-Hood.

He told a media conference that it seemed likely the Economic Forum would reach concensus on economic policy.

It was possible that "a new government desperate to get funds under its control" might re-introduce prescribed assets.

Freedom

But the insurance industry had lived in an environment in which a large proportion of its total assets had gone into prescribed assets yielding less than a market return.

Since their abolition the life offices had enjoyed the freedom to invest money where they saw fit. "We have had the opportunity to invest in the real economy and make it look healthier."

This included investment in providing electricity to black townships through a Life Offices Association scheme.

Wharton-Hood said uncertainty about the future had encouraged more investment in Liberty group products in the past few months.

Following the 26% rise in Liberty Holdings attributable earnings in 1992, "the improvement in all areas of our business has been quite dramatic. The figures are far better than we ever anticipated."

He thought one reason for this was that people were worried about the future.

And Liberty engendered confidence because of its focus on its core business, the long service of its senior executives and the track record of its investment team.

"Liberty Life is probably the only large company in SA today which has remained focused throughout its existence."

Founded 35 years ago, it had concentrated on life insurance, pensions and unit trusts.

"We have never got involved in other areas," said Wharton-Hood. "We don't diversify. We don't go into areas we don't understand. We don't run into trouble through new ventures."

Roy McAlpine, chairman of Liberty Asset Management (Libam), said his team was unique in SA because its top five people had 80 years' service between them.

And there was a back-up team with between four and nine years' service who had been screened carefully before being brought in.

SA's fund management industry was probably the most competitive in the world.

Long-term

The latest survey of the unit trust industry produced by Hugo Lamprecht of the University of Pretoria showed that Liberty's general fund, Guardbank Growth Fund, had achieved the best performance over one year, the second best over five years, the best over 10 years and the best over 20 years.

Share selection was a key factor, taking a long-term view. He had been told that no other management company paid as many visits to a company in which it invested as Libam.

Factors taken into account when deciding whether to invest were: dominance, growth potential, a sound balance sheet with asset backing, a strong cash flow and quality earnings fully taxed and diluted.

Solid return from Consolidated Fund Managers

Star 17/7/93

(58)

CONSOLIDATED Fund Managers (CFM), the portfolio management company which specifically advises investors with regard to investing in unit trusts, has reported three year investment returns (to June 30 1993) of 18,66 percent per annum compound.

This result was achieved *after* the costs levied by CFM as well as the charges incurred by investing client funds in unit trusts.

CFM managing director Clive Fox states: "We are very satisfied with this result as it compares most favourably with top performing unit trusts and has generally outperformed other traditional long-term investments by a significant amount.

"An investment of R50 000 made through CFM three years ago would currently be worth approximately R83 500," says Fox.

"This growth is significantly above the prevailing inflation rate and has also outpaced the JSE Actuaries Overall Index by a wide margin."

CFM was launched to the public in March 1990 and now boasts a considerable private and corporate client base. Fox attributes the growth in the CFM clientele to consistent investment advice and to a strong loyalty established through sound returns and a high commitment to client service.

"While some potential investors originally queried the wisdom of seeking professional investment advice when investing in the growing South African unit trust industry, CFMs solid investment performance has gone a long way to alter misconceptions about the need for such assistance.

"We believe that CFM has adequately proved its ability to successfully manage longer term investor savings and we look forward to considerable growth in CFM in the years ahead" comments Fox.

South business

A bank for the poor — and it works

South 17/7 - 21/7/93

The Rural Bank provides loans to the poorest of the poor women in Bangladesh. **WAGHIED MISBACH** spoke to the bank's director, Professor Muhammad Yunus, about what South Africa can learn:

ESTABLISHED bank officials in Bangladesh thought Professor Muhammad Yunus was throwing money away by setting up a bank that would give loans without collateral to the poorest rural people.

And defying custom in his country he decided to target women.

But the success of the Grameen or Rural Bank, formed in 1983, has thrown the banking system on its head. With a repayment rate of 98 percent on its loans it is the most successful bank in Bangladesh.

Yunus, a 53-year-old development economist, challenged the traditional "trickle down" economic theory, which assumes that if the wealthy are given concessions to create wealth, this will trickle down to the poor.

"It never happens this way. The money evaporates at the top," says Yunus. He was speaking at a seminar in Cape Town this week, and will be visiting Durban and Johannesburg to meet with various development groups.

Today, Grameen has 1029 branches in 32 000 villages in the country's rural areas. The average loan, or micro-loan, is $80 (R240), which to many of the people is more money they have seen at one time in their life, says Yunus.

GRASSROOTS: As the most oppressed group in society, rural women stand to benfit most from initiatives like the Rural Bank

Loans are paid back at an interest rate of 20 percent. Yunus says this may drop back this year to the original rate of 16 percent.

About 92 percent of bank's loans are to women.

"Firstly, they are the most closeted in Bengali society and had to be helped out of their circumstances, and secondly they are more trustworthy than men. Because they have children to care for they will not spend their money carelessly."

Yunus says the established banking system would never loan money to those without assets, especially women.

"The banks are anti-poor. They make rules, build walls and call them collateral," says Yunus.

"They are anti-women and anti-illiterate. Look at the amount of paper they make people sign."

New loans are approved not by bank officials but by the women, meeting in groups weekly.

Groups are usually made up of five members who are residents of the same village. A bank official attends the meeting, but the group members decide who gets the loan.

The Grameen board consists of 13 members. Nine are elected by borrowers, three are members of the government and one is elected by the board. (58).

Besides opposition from established banks, Yunus encountered jealous husbands and religious groups who thought he was trying to convert the predominantly Muslim women to Christianity.

"When there were two divorce cases in the beginning this worried us. We wanted to give up, and did so for a while. But because of the tremendous need we started again."

Yunus says that once religious groups realise that his efforts are helping women, they have accepted them in their villages.

Grameen may be the only bank in the world to encourage birth control, sanitation and a clean environment as part of its lending policy.

Thus borrowers pledge to "keep our families small", shun child marriage and the "curse" of wedding downes, "build and use pit latrines" and "plant as many seedlings as we can during planting season".

For South Africa and other developing countries, the Grameen bank provides a discussion point or a point of departure, says Yunus.

Yunus says that it impossible for commercial banks to set up similar projects as they have a different mind-set.

"This kind of bank needs a different structure than that of commercial banks who require collateral. The Grameen bank works on the basis of a person's character, not on what assets they have," he says.

Already South Africa is among 30 countries which have based similar projects on the Grameen phenomenon.

The Women's Development Bank (WDB) was formed two years ago in South Africa and has already started giving out loans to women in rural areas. The WDB is an affiliate of Women's World Banking based in New York which works through the commercial system using, among others, a direct lending, risk sharing and guarantee programme.

With the population of Bangladesh at 115 million and expected to double in 30 years time, Yunus estimates that about 10 million families need assistance.

So he needs money to grow. But his relationship with aid agencies has been cool.

He says United States Development Aid was actively opposed to the Grameen Bank from the start.

He hopes that with the Clinton administration all this will change. He says Clinton introduced the same system into his state of Arkansas, when he was still governor, after meeting with Yunus. And when he took office he promised he would set up the "Good Faith Fund" because of the inner-city probelms, high unemployment and poverty in America.

Clinton has plans to set up 1 000 micro-lending programmes in the US based on the Grameen model, says Yunus.

His relationship with the World Bank is allegedly strained. He was promised $200 million (R600 million) by the World Bank in 1988 but refused to take the money.

"I told them I didn't like the way they did business. After a while they will send their experts and tell you what to do. I tell every donor they have to look thoroughly at the way the bank works, and if they don't like it, they can get out."

However, things are looking up. He would not say with whom he was negotiating, but a sum of $250 million (R750 million) for the next four years is at stake.

And what about help from the government?

"The best way they can help is to stay away from us," he laughs.

Interest rate cut 'likely'

By ARI JACOBSON

ANOTHER 1% cut in interest rates could occur soon, bank analysts say.

A First National bank (FNB) money market dealer said: "This could happen any time in the next two months."

Standard Bank's assistant general manager Mr John Cruickshank predicted that a 1% bank rate cut, to 12%, would occur before the end of September. CT 17/7/93

Both cited improved financial data, such as lower inflation and higher collections of government revenues, as supporting this cut.

A fall in the bank rate would mean lower interest payments for the man in the street.

● Another rate cut looms — Page 5 58

Another rate cut looms

(58)

CT 17/7/93

By ARI JACOBSON

THE next cut in interest rates is around the corner, according to money market analysts canvessed yesterday.

They argue that lower expectations for inflation (with a mere 7% rise in the producer price index in May), the midweek announcement that government revenues collections are improving, the satisfactory money supply figures and Reserve Bank governor Chris Stals' confidence about building reserves, are all clear indicators of an imminent interest cut.

A one percent drop in the bank rate would provide much needed relief for consumers on all bank products such as home loans, hire purchase schemes, credit cards and overdraft facilities.

"It could happen at any time within the next two months," said a First National Bank money market dealer.

The benchmark three-month BA rate remained static this week at about 11.95%, which shows that in the money market a one percent fall in the bank rate has already been discounted.

Standard Bank's assistant GM, money market, John Cruickshank yesterday predicted that the one percent cut would come by the end of September.

"However we must have more clarity on IMF loans to SA and a better indication of the country's required foreign debt repayments."

Stals said this week that a substantial upfront payment may be required in re-negotiating some $5bn of foreign debt. He added that IMF and World Bank loans should become available from the second half of next year.

The capital and money market are seen as barometers for indicating the rate and direction of interest rates (the price of money) over time. The capital market is for long-term borrowers and lenders (three years and onwards), while the money market is for those operating at the short end. Long-term lenders are rewarded with a higher return (premium), over the short-term rate.

In the capital market the benchmark E168 tumbled 7,5 percentage points to 14,195% yesterday on the back of bullish settlement that long rates are going lower.

"Market players are calling this the start of the bull market," said a trader with the E168 expected to fall further to 13,8% over the next two or three months.

● Rueter reports that from Thursday's 14,29% close, the benchmark government R150 bond finished at 14,205%.

One player said he thought the market had moved too quickly and a small correction was in store.

Another dealer said volumes had been thin yesterday, with many gilts dealers with stockbroking firms off at a company golf day. JSE figures showed turnover was R2,6bn on Thursday from Wednesday's R2,7bn.

The money market daily shortage rose to R2,5bn on Thursday from Wednesday's R2,2bn.

SA's unit trust funds are big in size but small on influence

S Times (Buss) 18/7/93

By JULIE WALKER

SOUTH Africa's unit trusts are by no means in the Mickey Mouse class when compared with those in other countries.

The United Kingdom's 1 500 funds have 4,5-million savers. SA's 50 funds have 1,2-million holders and America's 4 000 have 77-million investors — 27% of all households. (58)

SA differs is in the range of funds available and in the movement's importance as a JSE player.

Association of Unit Trusts chairman Bernard Nackan, recently returned from abroad where he surveyed developments in the business, and says money-market funds have proliferated in countries with a less restrictive regulatory environment and lower barriers to entry than SA. Fund managers abroad invest either in domestic or foreign currency to secure higher rates than individual deposits would earn at a bank.

SA law prohibits this. Investors' money has to be committed to the equity market or long-term Government stock in the case of gilt or income funds.

The money market mostly deals in short-term money of up to a year's maturity. The main players in the market are banks, stock and insurance brokers, law firms, estate agents and others who hold money in trust on behalf of clients.

The market works along these lines: a company needs money for a short time to finance trade. A bank lends it the money at, say, 12% interest, in return for an acknowledgement of debt. In doing so, it underwrites the debt.

The bank itself has to fund the money lent out, so offers the debt paper to cash-flush parties, such as money brokers, corporate treasuries, institutional fund managers and so on, who do not want to tie up cash for a long time.

The rate of interest will be up to 1% below that at which the bank has lent the money to allow it to take a turn for bearing a credit risk. The debt becomes a negotiable instrument that can be traded as interest rates move.

Broadly speaking, there is no capital risk on a very short-term investment — wait until maturity and the capital is returned. The larger risk lies in trusting a broker to manage somebody else's money properly. (Aft) (132)

South Africans can invest in unit trusts, gilt and income funds, which bear a fluctuating capital risk, although if held to maturity (up to 20 years), the capital is repaid.

Mr Nackan says that in America, boosted by the money-market funds, the unit-trust movement's worth of almost $2-trillion exceeds the assets of life assurers. More pertinently, it is expected to exceed the total retail deposits held by banks this year.

Mr Nackan says: "America's unit trusts are a pre-eminent part of the financial world. There is a capital inflow of $1-billion a day to unit trusts. They have grown at three times the rate of US GDP and have been instrumental in channelling the savings of private investors into the economy."

Gad Ariovich of the Financial Services Board says that although the board is keen on money funds, it could be up to a year before there was an opportunity to change regulatory policy to permit them. Part of the delay would be caused by the desire to reach consensus among all parties.

A year's gold at R1 500 means higher payout for many mines

ST Times (Buss) 18/7/93.

AT a sustained real gold price of R1 500 an ounce, beginning in the next six months and continuing for a year, 29 mining companies would be able to at least double their dividends, three would increase them and nine could start to pay them.

Ed Hern, Rudolph gold analyst Grahame Graham-Parker says that although the bull run is fundamentally and technically intact, the questions are how far shares can rise and what will be the effect on dividends.

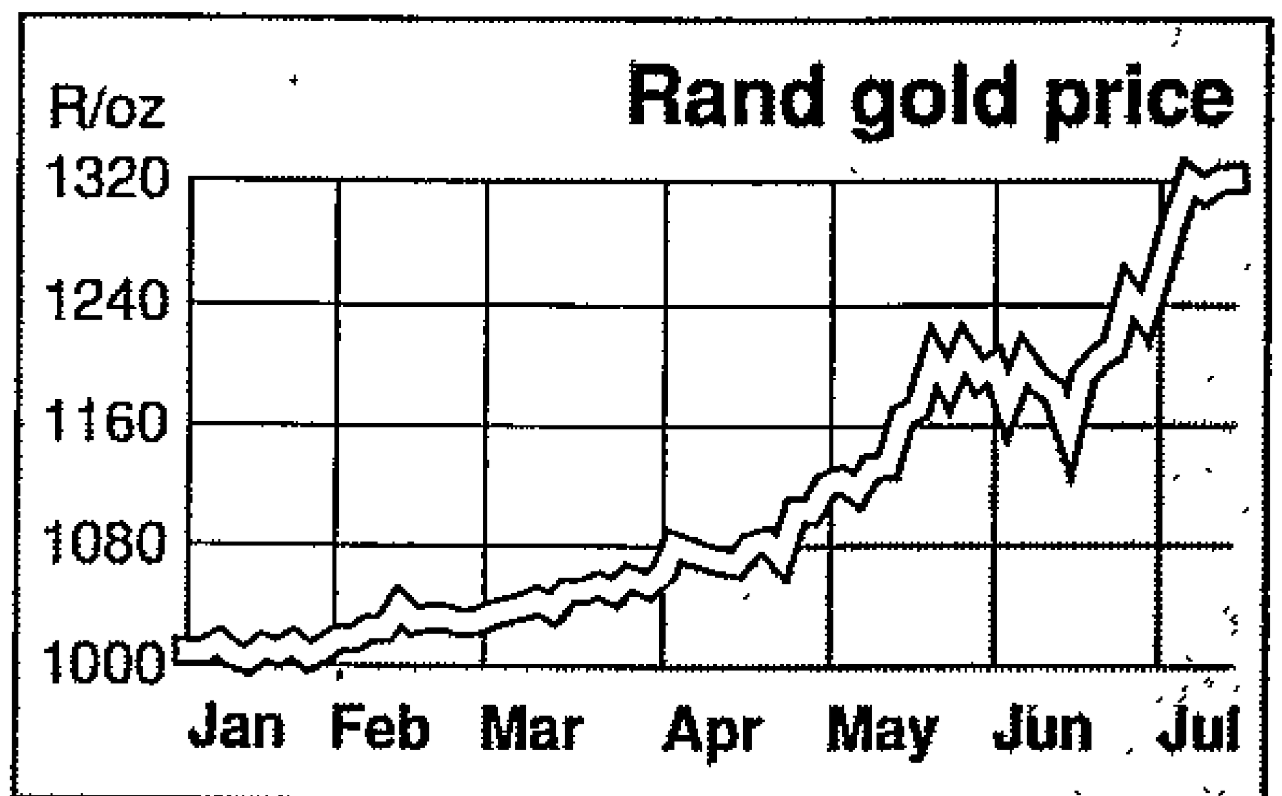
Mr Graham-Parker says: "Although we do not forecast gold at R1 500 in two months' time, it is nevertheless an achievable scenario. Few would have forecast the rand gold price to have climbed by R200 to R1 300 in the past two months, which it has done."

Benoni, Western Areas and West Wits would be able to lift their dividends by more than 500% if gold held at R1 500 for 12 months.

Another 10 companies — AF Leases, Deelkraal, Elandsrand, Kloof, Knights, St Helena, Unisel, Western Deep, Winkelhaak and Unisel could pay between 250% and 500% more than at present.

Sixteen other companies could lift payouts by 100% to 250%.

Mr Graham-Parker says such a gold price would not help companies such as ERPM, Primrose and South Roodepoort to restore dividends in the short term. Investors who believe that further rand weakness and higher dollar prices for gold can be expected should take note of other opportunities in the gold market.



Graphic: FIONA KRISCH Source: I-NET

The average historical dividend yield of the all-gold index since 1971 is 6,7%, and the current yield is 2,7%.

Mr Graham-Parker says: "Based on our higher real rand gold price of R1 500/oz, the one-year forward dividend yield, weighting the constituent yields accordingly, would be 6,8%.

"As with individual shares, the dividend yield of the index is not likely to rise that high; rather share prices would climb, increasing the index and decreasing the yield."

If that one-year yield were to fall to 6%, the all-gold index would gain 13% to 2 370 points.

"We would view this as a minimum increase. We see fair value at 3 384 points, yielding 4,2%. But a really bullish market, assuming today's 2,7% yield a year's hence, would push the index to beyond 5 000 points."

Leading earners exceed 20%

ST Times (Buss) 18/7/93

THERE were three contenders for the top general equity unit trust performer in the year to June — Board of Executors Growth, Guardbank and Norwich — all exceeded 20% returns.

This is according to figures compiled by the University of Pretoria's Hugo Lamprechts. They assume a lump-sum investment on a repurchase-to-repurchase basis.

Worst general performer over a year was Old Mutual Investors, which returned only 4,7%. But Old Mutual scored with its gold fund, which gave an all-in return of 85,9% — by far the best over the year.

Syfrets Growth remained tops over three and five years, during which annual compound returns were respectively 20,7% and 28,6%.

In the longer run, all funds in existence for 20 years have run closely either side of the 20,6% rise in the JSE all-share index and well ahead of inflation.

In the past quarter, seven funds which provided me with information about portfolio changes bought Amgold. There were no sellers of the gold leader.

Unit trust fund managers were unanimous in selling Rusplats and buying Dalys and Suncrush. They were divided on Potgietersrust Platinums, where Sage and UAL were buyers and IGI a seller, and on Genbel, sought by Norwich, Southern and Sage.

Only the Old Mutual mentioned Barlows, of which it was a buyer. As a major shareholder, Old Mutual is believed to be partly behind Barlows' unbundling restructure and could be putting its money where its mouth is.

Old Mutual also sold Richemont in spite of claiming a 50% rand-hedge portfolio component.

Reinsurers lead premium climb

S Times (Buss)
18/7/93

By TERRY BETTY

COMMERCIAL and industrial premiums will rise by between 15% and 40% in the next year because the cost of reinsurance has doubled.

Personal lines premiums should remain stable in spite the Western Cape floods, which are not expected to be a catastrophe for insurers.

Munich Reinsurance chief executive Clem Booth says the SA commercial and industrial market needs a 30% to 40% increase in premiums for sound business.

"For the past three years, reinsurers have been incurring losses and claims have far outstripped premium income. (58)

"Reinsurers will have to increase premiums to build up reserves and recoup losses as well as to give them a margin to make the business worth their while."

Mr Booth says reinsurance premiums are too low because in the past there was excess capacity — too many reinsurers competing for the same business.

Reinsurers were not always aware of the extent to which they were exposed in particular risks or the potential size of claims.

However, severe losses — national and international — in the past three years have shaken the market. Several reinsurers have closed and others have hardened their rates.

"It is not unusual now to pay two to three times more for the same cover as before," says Mr Booth.

The most notable reinsurer to close and start running down its books is NW Re of Britain.

Central RE was the SA arm of NW Re. Although it ran at a profit, it has been forced to close.

Hurricane Andrew in the United States set the insurance and reinsurance business back $17,5-billion last year.

Even though the major world losses are not specifically the result of SA claims, reinsurance is international and there is an element of cross-subsidisation among countries.

Swiss SA Reinsurance managing director Lenz Keel says this country has a good record it is still possible to obtain reinsurance. However, the price has soared.

Reinsurers are accepting less business and have become more selective.

Mr Keel says: "The general perception is that exposure to and frequency of natural catastrophes are higher than thought in the past."

Mutual & Federal managing director Ken Saggers says M&F has concluded its reinsurance arrangements and their cost has increased.

He will not say by how much M&F rates will rise, but the increased cost of reinsurance will ultimately have to borne by the insured.

Mr Saggers says personal lines insurance premiums are likely to remain stable.

Although the Cape floods were a disaster, they were not a catastrophe in insurance terms.

Insurers are unsure what the floods will cost them. Many people are still mopping up and not all claims have been reported.

M&F's Cape Town offices have received about 500 claims totalling more than R3-million.

Mr Saggers says the biggest flood toll was on farms where much topsoil was washed away.

Made in SA, copied in Japan

S Times (Buss)
18/7/93

BY DON ROBERTSON

IT would appear that some Japanese manufacturers have not lost the ability, developed many years ago, of copying internationally known products.

Gary Bell, managing director of the Richards Bay earth moving group Bell Equipment, discovered this on a recent visit to Japan where he attended a machinery exhibition.

To his surprise a timber logger, an exact replica of the machine developed by Bell and the only one of its type in the world, was on show.

Over the past two years, Bell has exported its own logging equipment to Japan.

"The machine is an exact duplicate of our equipment, down to the last millimeter. It even uses the same engine."

Mr Bell says the machinery was initially covered by worldwide patents, but these have expired. As a result, no action will be taken against the copy-cat company.

Bell, winners of the State President's export award two years ago, produces about 50 loggers a month, most of which are exported to countries such as Malaysia, Singapore, Australia and Pacific Rim countries.

"Because of their proximity to these countries, this development could take market share away from us, although we are prepared to take them on," Bell says.

The 25-year old Bell Equipment group has adopted plans to substantially increase exports and by the year 2000 hopes to sell about 80% of its output on overseas markets.

PARTNER

Absa gets a lift fro

Crusader Life emergency

By CHERILYN IRETON

ST Times (Buss)

THE Crusader Life board meets tomorrow to formulate a strategy to crush speculation about its health.

More than R40-million has been lopped off the group's market worth on the JSE in a fortnight, the share price falling from R3,20 to R1,90. It rallied to R2,25 on Friday.

The market value of holding company Anglovaal Insurance halved in the same time — from R86,7-million to R43,4-million — before recovering to R60-million.

This company also holds AA Life. Sunday Times consumer columnist Gwen Gill disclosed this week that AA Life had failed to pay investors guaranteed sums on life policies.

(58)

AA Life blames a computer error for the inflated guarantees issued to more than 500 people four years ago.

Crusader chairman Dave de Beer attributes the fall in the share price to rumours which started after director Bob Rowand resigned two weeks ago.

18/7/93

Market gives thumbs up as Absa chief quits

CT 19/7/93 (58) ~~ARG~~

By ARI JACOBSON

THE share market has given the thumbs up to the resignation of former Amalgamated banks of SA's (Absa) CE Piet Bdenhorst with the share price almost 90c or 10% higher at R10,10 since the departure.

Whether Badenhorst resigned or was pushed is immaterial the investor public have viewed his departure as good news.

Badenhorst worked himself up from a bank teller to MD of the United Building Society group — but was involved in numerous unpleasant public incidents, in getting the Absa group off the ground.

The Deposit-taking Institutions Act, introduced in February 1991, brought banks and building societies together under one act and encouraged this merger and acquisition.

The amalgamation of the United, Allied, and Volkskas created Absa, in 1991 and in April 1992, Bankorp was added to the group. This made Absa the largest banking group in SA, with total assets of R82,5bn for the financial year to March 1993.

Bank analysts have described Badenhorst as a top-notch banker and current CE Danie Cronje said "it was a pleasure to work for him".

Badenhorst's role in the Absa group was to rationalise and reshape the organisation.

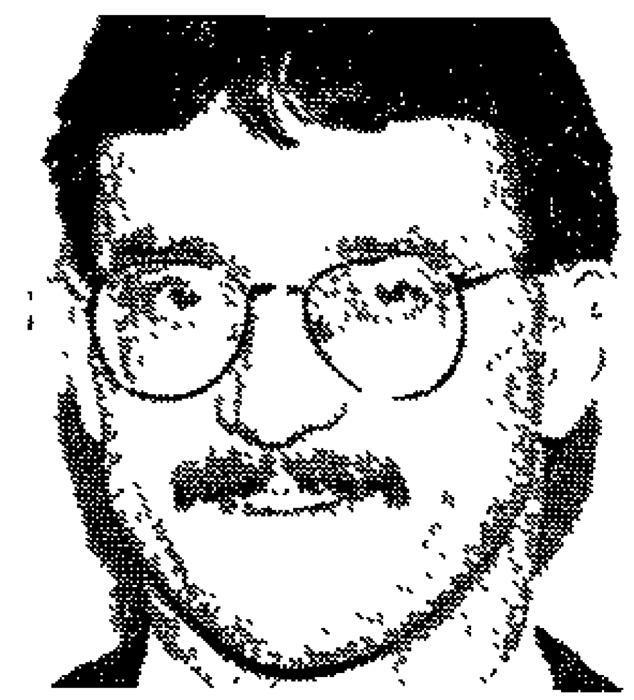
"The cutting was over — it was time to give the man the chop," said an analyst over the weekend.

"Absa's entering a new era and a new man is required," he added. "The share market obvious agrees — the share has jumped 90c to over R10."

Among others Prospur portfolio managers point out that Absa on a PE ratio of 7,8 "has tremendous relative value".

Stanbic on a PE of 16, FNB on 12 and Nedcor on 11 give some indication of Absa's poor performance relative to other bank groups.

Hendrik Vermeulen has been appointed manager, information technologies department, at Trencor Transport.



Dave Behrens has been appointed industrial relations manager at Trencor Transport.

Stokvels, finance houses join forces

THEO RAWANA

A MARRIAGE between formal financial institutions and the National Stokvels Association of SA (Nasasa) bore fruit yesterday when The People's Benefit Scheme was launched with an initial R20m.

Development Bank of Southern Africa chairman Wiseman Nkuhlu told the launch in Johannesburg that the scheme, based on the traditional stokvel (savings clubs) concept, was a unique joint venture between the bank, Nasasa, FNB and the Board of Executors (BoE). It was launched with R10m from FNB, R8m from the Development Bank and R2m from BoE. (58)

Nasasa director Stephen Japp said the package offered stokvel members, who otherwise had no access to finance, four elements: a savings account, fixed deposits and unit trust and loan facilities.

Nasasa president Andrew Lukhele said the package would initially be marketed through FNB's branch network mainly to stokvels, which, after a minimum savings period of six months, would be able to invest in either a unit trust or a fixed deposit which would then be "pledged" as security for a loan.

The scheme, managed by BoE, meant that members, through the collective responsibility of their groups, could borrow up to 150% of their balances.

Loans would be made against security of two-thirds of the amount borrowed. that security would be made up money the group had available.

Nkuhlu said the scheme would bring about development and address poverty because it was indigenous in nature.

Syfrets foresees drifting before upturn

B/Day 19/11/93

LINDA ENSOR

CAPE TOWN — Recent political developments had had a negative impact on investor sentiment and could cause setbacks in the financial markets, Syfrets economist Elmien de Kock said in the latest Economic Quarterly Review.

She said incidents such as the public acrimony between ANC president Nelson Mandela and President F W de Klerk in the US and the AWB's storming of the World Trade Centre had exacerbated short-term capital outflows. These in turn had hampered the Reserve Bank's room to manoeuvre on monetary policy and could delay a relaxation of interest rates.

De Kock expected further declines in net foreign exchange reserves in the second quarter but believed the installation of the Transitional Executive Council and improved political prospects next year would stem the outflow on the capital account.

(58)

Syfrets has forecast a sideways movement in economic activity this year, followed by a mild recovery in 1994 led by exports, which would get a boost from a weakening rand. De Kock said fixed investment spending, though coming off a low base, should show better growth as various projects got under way. However, consumer spending, constrained by low wage increases and high taxes, would lag the recovery.

Syfrets advised a cautious stance on equities, believing the rise in the gold price had propelled share prices to levels unjustified in terms of forecasts which projected unimpressive earnings in the next 12 months.

Market protest stilled — for now

TIM MARSLAND

IT WAS business as usual on the bond market on Friday as players came to terms with the formalisation of the market. B/Day

Bond Market Association CE Graham Lund said that while Friday had gone off without a hitch, he expected "vociferous opposition" as the market moved closer to a licence being granted for a formal exchange.

BMA members blocked the possibility of self-regulation when they refused to ratify the rules under which the market would operate.

However, members said that they were not unhappy with the rules as such, but wanted to block the development of the formal market.

One outcome of the new order is that the rule book will have a few cosmetic changes made before being released to the market. In particular, one of the opening phrases in the book that would have read: "This rule book is approved by the members" will be replaced with "Accepted by the Registrar". (58)

A BMA member said the market was unhappy with the costs that would be incurred by the implementation of centralised reporting.

He said market players were being asked to incur additional costs at no benefit to themselves. 19/7/93

The new regulations, implemented by Financial Services Board executive officer Piet Badenhorst on Friday, makes it illegal for any bond market deal to be conducted with a non-BMA member. Anyone doing so will face a R100 000 fine and/or five years in jail.

Probe into raising housing funds

BDay 19/7/93

GRETA STEYN

INVESTEC Merchant Bank and its partner Fedlife are investigating the feasibility of devising a new capital market instrument to mobilise institutional funds for low-cost housing. (123) (58)

Investec bank director Peter Cahi said at the weekend the merchant bank and Fedlife had had preliminary discussions with the SA Building Industries Federation "to see if we can come up with an instrument that will appeal to institutional investors". (32)

He could not elaborate on how much finance would be raised and which development organisation would channel the funds to end-users.

"The project is still being pinned onto the drawing board," he said. It is understood support from major political players will be a key factor in shaping the venture.

Institutional investors, eager to avoid imposition of prescribed asset requirements once a new government is in place, have indicated their willingness to put funds into "socially desirable" investments if suitable instruments are found.

Their enthusiasm has sent merchant bankers rushing to the drawing board to come up with new ideas. Leading the pack so far is UAL, which was involved in the first new instrument for low-cost housing, known as Collateralised Housing Investment Paper (Chips).

The merchant bank in the Nedcor fold was also involved in Eskom's new bond to finance township electrification. Rand Merchant Bank is also active and helps manage the collateral security backing the Chips initiative.

Although more than R100m was raised through Chips, very little of the finance has been disbursed because of bottlenecks in the housing delivery channels. Development experts said at present the lack of institutional capacity was a greater problem than the availability of finance.

Perm gets Old Mutual staff home loans

B/Day 20/7/93

LINDA ENSOR

CAPE TOWN — Old Mutual has handed over its R400m staff home loan book to the Perm to administer.

There was no comment yesterday on the highly confidential deal which was apparently motivated by the belief within Old Mutual that its staff home loans could be more efficiently administered by a financial institution dedicated to this service.

Analysts said the well-secured loans would add to the stability of the Perm portfolio, a significant proportion of which is in the low-income housing sector.

The R400m injection brings the total value of Perm's home loan book to about R10,4bn and represents about 4% of it.

Recent financial statements of parent company Nedcor show that the quality of the Perm's book has been improving over the past year as arrears and properties in possession have declined. It has tightened its lending criteria and experienced a lower growth in bond volumes in the six months to end-March. (58)

Old Mutual, which has a majority stake in Nedcor, has about 17 000 staff members.

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Business benefits from drop in interest rates

BiDay 22/7/93

TIM MARSLAND

CORPORATE borrowing costs dropped sharply in past weeks because of easier conditions in the money market, dealers said yesterday.

Short-term borrowing costs had dropped due to increasing liquidity in the market as well as discounting of an expected cut in the Bank rate.

Corporates were able to borrow money overnight at 12% compared with about 13% last month.

To borrow money for three months cost about 12,10%, a dealer said.

One dealer noted that rates were coming off on improved sentiment, which was attributed to speculation that the Bank rate would soon be cut to 12% from 13%. (58)

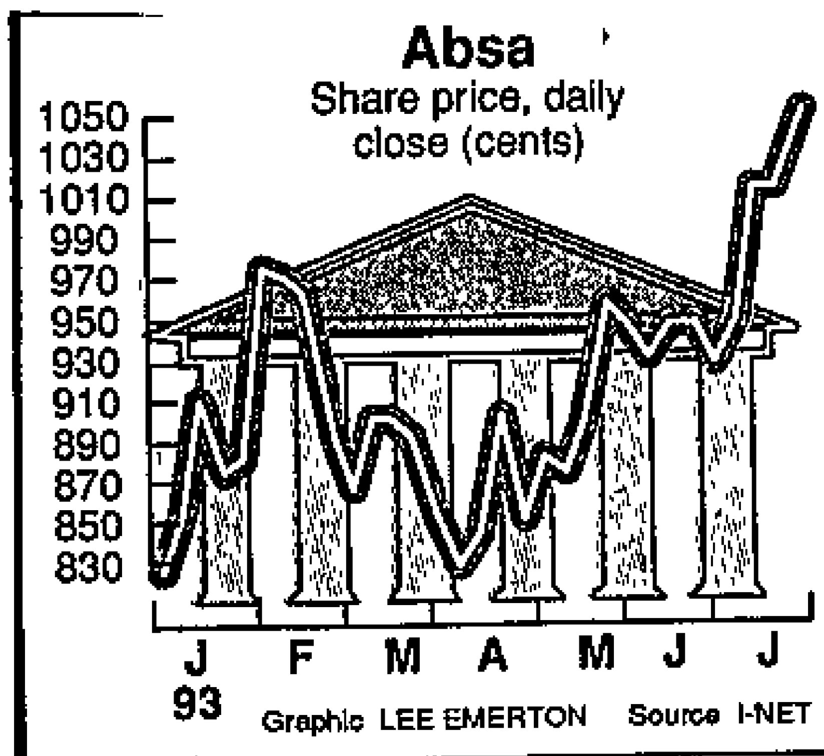
He said rates could drop even further in the weeks ahead.

Some dealers were concerned about the low rates and said corporates were benefiting from fierce competition between banks.

Corporate rates were "very cheap" compared with the 16,25% prime rate, said one dealer.

"It is the man in the street who is suffering with high rates, not the corporates," one dealer said.

He was concerned that corporates were borrowing just to complete day-to-day business rather than for longer-term investment.



Absa shares leap upwards

B/Day 20/7/93

SHARON WOOD

ABSA's share price gained 40c to R10,50 yesterday, lifting the group's stock to its highest level in over a year — the share price last saw this level in February 1992.

The share was the most active in value terms on the JSE, with just over 600 000 shares valued at R6,45m changing hands in 86 deals over the day.

Banking analysts said the share had been re-rated but cautioned that there were still concerns about the banking group's future. (58)

"It may be just a flash in the pan, but it would appear the market is re-rating the share," one analyst said.

Most analysts agreed that Absa shares offered "the best" value because of their low price:earnings ratio of 8,69, but a primary concern in the market was the lack of group management depth.

However, the rapid rise in the share price generally exceeded analysts' expectations, with most expecting the share to only move to R11,00 by next year.

One analyst said catalysts to the share's recent rally — which had gained 10% over the last month — had been more favourable press coverage of the group since the departure of Absa CE Piet Badenhorst and the attention given to the stock when Genbel/Gencor announced their plans to unbundle.

The reaction of the share to Badenhorsts' departure had been ambiguous, he added.

But another analyst said the share was always volatile because of the relatively large proportion of small shareholders forming the total shareholding.

One analyst said: "Absa's share has underperformed over the last year . . . it deserves to be much higher."

Environment plan sought

Staff Reporter

ABSA banking group is committed to developing 25 hectares of the 270 hectares of land it owns at Hout Bay and Sandy Bay but is consulting interested parties about an enviroment management plan for the rest of the area. 58

This was said last night by Absa deputy chairman Mr Mike de Blanche after a meeting between Absa representatives, interested parties and the Hout Bay Coalition on the future of the enviromentally sensitive land. CT 20/7/93

Mr De Blanche said Absa need not necessarily retain ownership of the undeveloped land but would rather not abdicate responsibility.

Crulife 'not likely' to pay a dividend

BiDay

CHARLOTTE MATHEWS

CRUSADER Life Assurance Corporation (Crulife) ordinary shareholders are unlikely to receive a dividend for the year to June 30 as the company will have to make provision against the possible diminution of its investment in UK-based Pegasus Assurance Group. 21|7|93

In a statement today, Crulife said the modest profit indicated in Pegasus's monthly accounts for the year ended December 31 1992 was based on a misstated determination of embedded value. The finalised annual statements indicated Pegasus had made a loss of £441 000.

Crulife executive chairman — and CE of Crulife's holding company Anglovaal Insurance Holdings (Avins) — Dave de Beer, said Crulife sold its interest in Pegasus to Avins when the merger and creation of Avins took place. At that stage it was difficult to determine the true value of the Pegasus interest and it was taken over at Crusader's cost price, with Avins holding a put option in the event that the value of the investment declined. (~~[illegible]~~)(58)

Crulife said the deterioration of the current value of Avins's investment in Pegasus was exacerbated by Avins's inability to follow its rights at extremely low prices, due to the "current inflexible exchange control regulations adopted by the SA Reserve Bank". The result was an excessive dilution of the holding and an inability to participate fully in the future development of the investment.

If Avins exercised its put option against Crulife, Crulife would acquire an investment at a price considerably above its realistic value. De Beer said a decision to exercise this option had to be taken by the Avins board.

The possible loss to Crulife had not been calculated, De Beer said, but it could be R10m. There was some uncertainty whether the put option would be exercised at all and as there was a six months notice clause that the potential loss would be reflected only in future accounts.

The announcement of Crulife's results for the year to June was likely to be made

☐ To Page 2

Crulife

BiDay 21|7|93

☐ From Page 1

in early September. It said business conditions during the second six months of the financial year had been more difficult than in the first half, with higher policy lapses. New business from the credit protection area was higher than in the first half and production had been satisfactory on the individual life side. (~~[illegible]~~)

De Beer doubted whether the recent decline in the share prices of Crulife and Avins was on rumours about the Pegasus investment as this was not widely known.

"The rumours in the market were of a general nature. We might, had it not been for Pegasus, have said nothing and just let the matter settle down," he said. (68)

Sage Life confident of improving on record year

Bday 21/7/93

SAGE Life was well placed to sustain an attractive rate of growth, the directors said in the annual report released yesterday.

"In addition, further rationalisation benefits are expected to flow from recent acquisitions and through ongoing development with the wider Sage Group and its associates," Sage said.

Sage Life's disclosed earnings rose to a record R27,4m in the year ended March 31, an increase of 21,2% over the previous year. Earnings per share increased by 21,9%, while dividends declared during the year rose by 20%.

Over the six years since Sage Life's acquisition of the SA operations of The National Mutual Life Association of Australasia Ltd, earnings and dividends per share have grown at annual compound rates of 19,7% and 21,9% respectively.

Total assets reached a record R2,6bn at the year end, showing an annual compound growth rate of 20,6% over the past six years.

(58)

Despite the negative impact on national savings caused by the depth of the recession and rising unemployment, a 22,5% rise in total premiums received to R427m and a 25,7% increase in annualised new business, including single premiums, to R217,7m was recorded during the year.

The directors said the acquisition by Sage Group of the 49% interest in Amalgamated Insurance Holdings held by Absa gave the group undiluted ownership of a major core business, Sage Life, enhancing its expansion potential while retaining close links with Absa. — Sapa.

Syfrets outlines new investment strategy

(58) ARG 22/7/93

Business Staff

JOHANNESBURG. — Mining shares will offer the best value in the present environment, says Guy Woolford, the new manager of Syfrets Growth Fund.

Mr Woolford, speaking at a Press briefing here yesterday, said the rand was likely to remain structurally weak for the remainder of the decade so no portfolio manager could afford to ignore rand hedges.

Among the larger shares, he said, De Beers and Richemont looked undervalued.

Mr Woolford said the fund, under its highly rated portfolio manager Tony Gibson who recently left to join Coronation Syndicate, had an aversion to mining shares which constitute 25 percent of the fund compared with their weighting of about 46 percent of the overall index.

Mr Woolford said that the Growth Fund would continue to draw on 20 core companies for its main investments, which include Anglovaal and JCI in the mining house sector, Liberty, Metpol and Stanbic in the financial sector and consumer shares such as SAB, Tiger Oats, Premier and Safren, soft drink shares ABI and Suncrush and the retailers Clicks, Edgars and Foschini.

But it would also look for opportunities in the undervalued second liners.

The weighting of gold shares in the fund is a low seven percent, which will be increased as Mr Woolford says the gold price is going to be held up by the surge in jewellery demand which has taken place over the past five years.

Once gold gets through the $400 support level the price could make a really dramatic gain.

More than R20 billion had been committed to major capital projects which will be spent over the next three to five years and though foreign companies were expected to win between 30 and 40 percent of the tenders it would boost engineering, construction and electrical shares.

Syfrets Gilt Fund manager Rob Nichol said he had moved into bonds with a life between seven and 12 years.

These now accounted for almost 71 percent of the fund, compared with 31 percent in the March quarter.

The Gilt Fund had the best return for the quarter in the industry, which was 4,54 percent.

Foreign investors go for unit trusts

TOM HOOD
Business Editor
ARG 22/7/93

FOREIGN investors are beginning to put money into South African unit trusts, mainly gold and mining funds.

This was disclosed by Old Mutual's unit trusts manager Mr Selwyn Feldman.

However, he does not expect to see much overseas money going into general funds because of the huge variety available in Britain and the US.

The number of funds in the industry could double to 100 over the next decade but it was unlikely ever to reach the 3 947 currently trading in the US, where total assets approximate those of the life assurance industry.

The comparative figure in South Africa was only 5 percent. "We can truly talk of a fledgling industry," he said in a review of the company's performance last quarter.

Assets of Old Mutual's unit trusts passed the R4 billion mark last month for the first time, reflecting inflows of cash and the performance of the portfolios.

Close to R900 million a year had been attreacted in new investments over the past three years.

However, repurchases are also rising as people cash in their investments.

Net sales amounted to R292 millionm for the 12 months to June 30. Gross sales were to R925 million but repurchases absorbed 68 percent (R632 million) of this.

In the June quarter, repurchases of R221 million equalled almost 80 percent of new sales of R280 million, leaving only R59 million flowing into the funds..

Out of an industry total of 51 funds, Old Mutual owned seven after the launch of its growth fund in April.

Mr Feldman said the company was likely to add to the number over the next year or two and maintain its leadership in terms of range of funds.

While the authorities wanted more organisations to offer unit trusts and increase competition, he believed the high cost of computers would limit the number of new entrants and that funds would largely be managed by financial institutions.

Old Mutual had increased its computing power and had more than enough systems capacity to cater for the expected increase in business which would flow from its 4 000 sales representatives and independent brokers over the next five years.

A major growth area was the cash flow of black investors, who accounted for a growing share of Old Mutual's client base and were using unit trust investments to educate their children, buy houses and finance their retirement.

Most popular fund in Old Mutual's stable is still the Investors's Fund, with 82 percent (R3,5 billion),of total assets, followed by Top Companies (4,7 percent), Income Fund (3,2 percent) and the Industrial Fund (R112 million). Smallest fund is the gold fund, with only R63 million of assets.

Africa Bank must get 'closer to the people'

Star 22/7/93

By Thabo Leshilo (58)

The African Bank, widely regarded as a shining symbol of black economic achievement, was criticised at the annual meeting yesterday for insufficient presence in the black community.

Shareholders said extensive marketing had to be done to bring the bank closer to ordinary people in the townships.

Chairman Dr Sam Motsuenyane told shareholders more branches were to be established. African Bank currently has 27 around the country.

The bank, he said said, was doing well and had increased its assets by 51 percent to R431,2 million in the past 18 months despite the harsh socio-economic conditions.

A total ordinary dividend of 10c (7,5c in 1991) was declared for the 18 months ended March 1993.

"It's about time we invested more money in the Bank. After 18 years, it must be clear that the bank has a future," said Dr Motsuenyane.

Dr Motsuenyane, Leepile Taunyane and P S Monoa, who all retired by rotation at the annual meeting, were re-elected to the board. Professor William Tladi, of the University of the North and L S Smith, who were previously appointed to fill casual positions, were also elected to the board.

Star 22/7/93

Syfrets outlines new investment strategy

By Stephen Cranston

Mining shares will offer the best value in the present environment, Guy Woolford, the new manager of the Syfrets Growth Fund said yesterday.

Woolford, speaking at a press briefing, said the rand was likely to remain structurally weak for the remainder of the decade so no portfolio manager could afford to ignore rand hedges.

Among the larger shares, he said, De Beers and Richemont looked undervalued. (58)

Woolford said the fund, under its highly rated portfolio manager Tony Gibson who recently left to join Coronation Syndicate, had an aversion to mining shares which constitute 25 percent of the fund compared with their weighting of about 46 percent of the overall index.

Woolford said that the Growth Fund would continue to draw on 20 core companies for its main investments, which include Anglovaal and JCI in the mining house sector, Liberty, Metpol and Stanbic in the financial sector and consumer shares such as SAB, Tiger Oats, Premier and Safren, soft drink shares ABI and Suncrush and the retailers Clicks, Edgars and Foschini.

But it would also look for opportunities in the undervalued second liners.

The weighting of gold shares in the fund is a low seven percent, which will be increased as Woolford says the gold price is going to be held up by the surge in jewellery demand which has taken place over the past five years. Once gold gets through the $400 support level the price could make a really dramatic gain.

More than R20 billion had been committed to major capital projects which will be spent over the next three to five years and though foreign companies were expected to win between 30 and 40 percent of the tenders it would boost engineering, construction and electrical shares.

Syfrets Gilt Fund manager Rob Nichol said he had moved into bonds with a life between seven and 12 years. These now accounted for almost 71 percent of the fund.

The Gilt Fund had the best return for the quarter in the industry, which was 4,54 percent.

Second 'socially responsible' fund planned

BDay 22/7/93

GRETA STEYN

MAJOR financial institutions, banks, stockbrokers and consultants are working on a number of "socially responsible" investment vehicles that offer an acceptable return to investors. (152)

The union-controlled board of the Community Growth Fund, Unity, is planning to launch a second socially responsible fund to complement the Growth Fund, a Labour Research Service discussion paper has disclosed. The paper was released at the ANC's conference on foreign investment this week.

The Community Income Fund will be managed by Old Mutual if the union movement gives its go-ahead to the plan.

The funds flowing to the Income Fund will be invested in bonds that help black community development. The Income Fund could invest in electricity bonds or bonds to provide water or infrastructure. Such investments would comply with normal investment factors, but would also contribute to community development.

The Income Fund will draw on the 25% of retirement funds that cannot be invested in equities in terms of prudential requirements. These funds have to go into fixed interest investments. (58)

Another investment vehicle on the drawing board is Simpson McKie's proposal for $5bn capital guaranteed 12-year equity participation loanstock, issued by a trust that was credible to foreign investors.

About 53% of the inflow into the fund would be invested in 12-year Eurodollar Zero Coupon stock which, on maturity, would ensure capital repayment.

The balance of the funds would be invested via the financial rand in community development projects and venture capital projects geared towards fulfilling the criteria of black empowerment and job creation. As income and capital returns from these investments are received by the trust, they will be distributed to investors.

More 'pure' investment vehicles in the pipeline

58 CT 22/7/93

By GRETA STEYN and MAGGIE ROWLEY

MAJOR financial institutions, banks, stockbrokers and consultants are working on a number of "socially responsible" investment vehicles that offer an acceptable return to investors.

The union-controlled board of the Community Growth Fund (CGF), Unity, is planning to launch a second socially responsible fund to complement the CGF, a Labour Research Service discussion paper has disclosed. The paper was released at the ANC's conference on foreign investment this week.

The Community Income Fund (CIF) will be managed by Old Mutual if the union movement gives its go-ahead to the plan.

The funds flowing to the CIF will be invested in bonds which help the development of black communities. The CIF could invest in electricity bonds, or bonds for the provision of water, or infrastructure. Such investments would comply with normal investment factors, but would also contribute to community development.

The CIF will draw on the 25% of retirement funds that cannot be invested in equities in terms of prudential requirements. These funds have to go into fixed interest investments.

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● Meanwhile, Old Mutual unit trust manager Selwyn Feldman said yesterday that while repurchases had increased to R632m last year the positive net inflow into Old Mutual unit trusts had topped R300m.

He said gross sales had neared R900m per year for the past three years and while repurchases had increased these had not reached the "alarming levels" seen after the 1987 crash.

"What is important is the ratio of repurchases to asset base. Old Mutual trusts are running at about 15% which is marginally below the industry average and indicates that people are staying in longer.

The right reasons

"It would appear that while repurchases have increased people are taking their money out for the right reasons — they have saved up for something and five to seven years later they now need the money for that purpose."

In spite of the recession, Old Mutual's seven unit trusts had attracted 70 000 new investors in the past 12 months and the number of account holders was expected to breach the 500 000 mark soon.

Old Mutual unit trust assets — which have trebled in the past five years — passed R4bn for the first time last month.

Feldman said Old Mutual was likely to launch additional unit trusts over the next two years.

LIFE ASSURANCE FM 23/7/93 (58)

Cracks in the Avins facade

Anglovaal's excursion into insurance has been anything but a pleasure cruise. So far it has cost about R60m, mostly contributed by two controlling families. Even with that, both main subsidiaries, Crusader Life & AA Life, have their problems. Dave de Beer, chairman of AA Life and now executive chairman of Crulife, is trying to sort matters out.

AA Life's problems started two years ago, when an irascible consulting actuary, Ron Howroyd, became disillusioned with his task at the company and revealed it was actually paying a dividend to Anglovaal (via the insurance holding company Avins), not from profits but from policyholders' funds. That led to the resignation of the then CEO, Brian Benfield.

Gates

Benfield

Current MD Joe Gates says this year's results from AA Life will be "pleasing." But AA Life has received media attention because of some life policy payouts which have not been up to expectation. Gates says the payout forecasts were due to a computer programming error which predated his tenure. "I'm not a computer boff myself, though we employ experts, so I don't always understand how these things happen. But the error affects about 500 out of more than 300 000 clients."

De Beer confirms there was an error, adding that it would be unfair to the main body of policyholders to top up the minorities' expectations. Possibly, he suggests, once AA Life has accumulated reserves, some *ex gratia* arrangement could be made with the disgruntled policyholders. That implies yet another call on the goodwill of the controlling group.

AA Life is now planning a move from its Diagonal Street headquarters to less visible premises in Braamfontein.

Problems in Avins's listed life company Crusader have arisen in a different quarter. Avins has four operating legs — AA Life, Crusader, an off-shore operation called Pegasus, based in the west of England, and an administration company. The admin company has now been brought back under Crusader's own control.

Why the investment in Pegasus ever took place is not clear. De Beer acknowledges it is not something Avins would have considered but dates from the time when Crusader was under the control of Don and Bob Rowand, both of whom recently resigned.

In the reconstruction of Anglovaal's nascent insurance interests, Avins gained a put option against Crusader with regard to the investment in Pegasus, at a carrying value of around R20m plus interest.

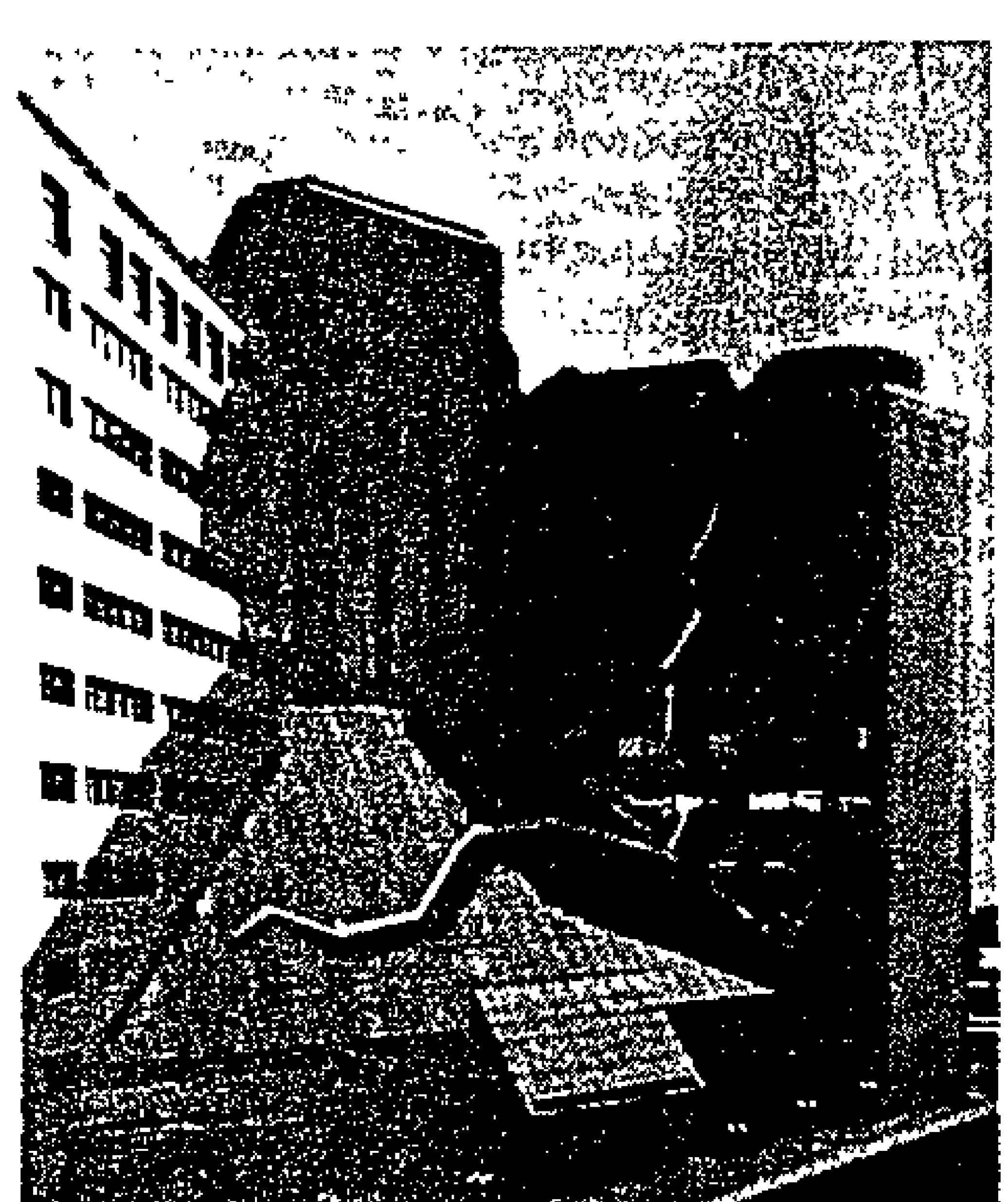
In earlier statements, the Rowands made upbeat forecasts about Pegasus, with a modest profit anticipated in the year to December 1992. Now De Beer says: "The monthly accounts were based on a mis-stated determination of an embedded value (an actuarial term for future income from contracts already written). The annual financial statements for the year in question, which have only just been finalised, indicate a loss of £441 000. This turn of events has had a negative impact on the current value of our investment in Pegasus."

In any case, Avins has been deterred by the exchange control regulations from following its rights in Pegasus; so it may be a disguised blessing that its shareholding has been diluted from the original 33% to around 14%. If the put option were exercised, it would, De Beer comments, result in Crusader acquiring an investment at a price considerably in excess of its realistic value.

Meanwhile, Crusader has been on a cost-cutting exercise, resulting in the closure of some sub-branches and some retrenchments. The company is likely to pass its dividend and its immediate profitability — though not the security of policyholders' funds — is questionable.

Given the state of Anglovaal's insurance arm, where the shareholders have proved their commitment but, as yet, not their ability to bring in profits, it would not be surprising if the JSE-listed elements were removed from public gaze while repairs are made.

Bryan Deans



PROPERTY RIGHTS FM 23/7/93.

Seeking a balance

Whatever political bargains may be struck at the negotiating table, SA's prospects depend on a single economic issue: how to redress the inequities of the past without damaging our growth potential.

This debate has moved from angry exchanges over nationalisation to arguments about the merits of other mechanisms for redistribution. The controversy relates not to sins of commission — as when traders and householders were removed from their properties under the Group Areas Act and transferred to less profitable and salubrious areas. It relates to sins of omission, when people were denied the opportunity to live and work where they chose and were disadvantaged by a panoply of race laws.

ANC economist Tito Mboweni has proposed a reconstruction levy to make good the property losses inflicted on most South Africans by apartheid. "Unless all South Africans face up to this challenge, this country will remain polarised . . . and dreams of economic growth . . . may never be realised."

The SA Chamber of Business (Sacob) acknowledges "that discriminatory measures of the past have undermined overall respect for that principle (property rights). Corrective measures will be required which will not only redress such injustices but will allow the market to operate in a way that will secure an equitable and efficient outcome.

"Failure to pursue such a course will result in continued opposition both to the principle of property rights and to the market-driven economic system."

These comments come in a submission to the National Negotiating Forum's technical committee on fundamental rights, expressing concern at the lack of urgency in dealing with fundamental economic issues. It points out that, of 24 rights and freedoms considered by the committee, 18 have been decided on. Among the six referred back to the technical committee for debate are property rights and economic activity.

Essentially, the question is at what point a reconstruction levy — or any similar mechanism — threatens property rights.

Mboweni says the idea "is drawn from the experience of Germany after World War 2

FM 23/7/93 COMPANIES

58

SAAMBOU FM 23/7/93

Market wants more

58

Activities: *Banking and financial services.*
Control: *Fedlife 33,4%.*
Chairman: *H A Sloet; MD: J P Myburgh.*
Capital structure: *125m ords. Market capitalisation: R110m.*
Share market: *Price: 88c. Yields: 2,3% on dividend; 11,4% on earnings; p:e ratio, 8,8; cover, 5. 12-month high, 107c; low, 60c. Trading volume last quarter, 10,4m shares.*

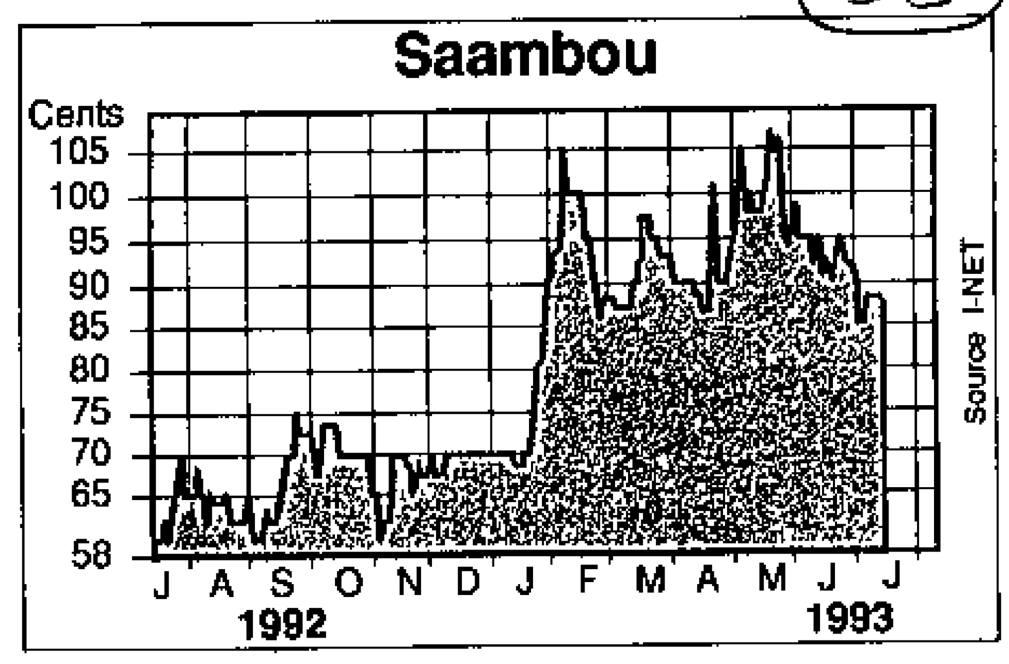
Year to March 31	'90	'91	'92	'93
Total assets (Rbn) ...	3,70	4,20	4,27	4,34
Total advances (Rbn) .	2,58	3,08	3,58	3,72
Int on advances (Rm) .	472	598	703	694
Int on deposits (Rm)	631	632	624	570
Pre-tax profit (Rm) .	29	(25)	(66)	26
Taxed profit (Rm)	25	(27)	(68)	17
Earnings (c)	29,6	(26,4)	(59,0)	10,0
Dividends (c)	11,5	6,0	nil	2,0

The return to profitability will be welcomed by shareholders, not least Fedlife, which has the majority interest in the banking and financial services group and consistently voiced its support during the lean years.

But the market appears a little slow to respond to Saambou's improved results. Now that dividends are being paid again, the yield is well below the sector's average of 3,4%. But the share price has drifted since the 107c high set soon after preliminary results were published last month.

Obviously, the market wants to see more, which could temporarily frustrate plans for a rights issue, something Saambou has been considering. Though not desperate, especially with big brother Fedlife in the background, additional capital would be useful, particularly if the economy begins to pick up.

However, senior GM Dawie Botha says a rights issue is not a priority. Liquidity is better than a year ago, when the possibility of a rights issue was raised and the capital base should be adequate for two years or so.



Continuing restructuring and refocusing limited asset growth to 1,7%. Group MD Johan Myburgh admits the main thrust was not on asset growth, but rather on upgrading assets and selling non-performing assets.

Saambou Bank, the operating company, continued to focus on individual business, particularly salaried people and pensioners. Myburgh says additional assets of about R181m accrued from this source. Another focus was on increasing deposits and savings deposit balances advanced 78%.

He says the ideal will be to finance all mortgage loans from savings funds in future — isn't that what building societies did before most converted into banks?

Also, while more than 80% of the bank's business is derived from mortgage lending, which carries less risk, the heavy bias towards home loans will not produce spectacular returns. For this reason, says Botha, asset growth will have to come from higher margin business, like personal loans and vehicle finance. "Home loan business will be managed down over time, to the extent that other assets will have to grow faster."

The second half of last year was clearly tough going. Despite the spectacular return to the black, advances dipped slightly from the half-time R3,73bn. Botha points out that second-half results were hit by declining interest and bond rates.

He adds that earnings are "on track" in the first months of financial 1994, and Saambou is still targeting EPS of about 15c.

Barring unforeseen developments, abnormal write-offs which depressed results are now through the books, as are most retrench-

cont'd

FM 23/7/93 58

ment costs, shown as an abnormal R10,4m.

With earnings on an uptrend, the counter seems undervalued.

Shaun Harris

'New opportunities for investors'

Liberty Life plans R1bn Libsil listing

BiDay 28/7/93

CHARLOTTE MATHEWS

LIBERTY Life is to raise about R1,03bn by listing its wholly owned subsidiary Liblife Strategic Investments (Libsil) on the JSE.

The cash raised will be used to develop Libsil's business and repay its debt.

Liberty Life chairman Donald Gordon said Libsil would have an indirect interest in Liberty Life through its 23,8% holding in Standard Bank Investment Corporation (SBIC). It also owns significant stakes, directly and indirectly, in Premier Group and SA Breweries (SAB). Libsil's total investments in leading financial and industrial companies are worth R5,6bn.

"Liberty's offshore investments are now held through First International Trust and its local investments through Libsil," Gordon said. (58)

"This is an important transaction for Liberty Life. It will strengthen our flexibility and improve our position with regard to our strategic investments, which now represent a substantial portion of Liberty Life's capital base. The idea is to degear the Liberty Life Group and balance its holding of major strategic investments."

Liberty Holdings (Libhold) MD Farrell Sher said Libsil investments were core investments to the Liberty group, and Liberty was giving shareholders the opportunity to participate in them. He said the move could not be described as an unbundling since the holdings were "fundamental and germane" to the group.

Main reasons cited for Libsil's listing were to offer the group's shareholders and other investors direct exposure to Liberty Life's strategic investments, to degear the Liberty Life Group and to give greater transparency to Liberty Life's investments in view of the potential new market in SA — especially for international investors.

The move will release funds for the further development of Liberty Life. Libsil will be able to use its equity for further acquisitions of strategic shareholdings.

Libsil, formerly known as Liberty Life Investment Trust, will list 560-million ordinary shares. Liberty Life will offer its shareholders 114,57-million ordinary shares in Libsil at 900c each, at 50 Libsil shares for every 100 Liberty Life shares.

Libhold, which owns 52% of Liberty Life, will renounce to its shareholders its rights to 59,52-million ordinary shares in Libsil at 900c each in the ratio of 130 ordinary shares in Libsil for every 100 Libhold shares. After the listing, Liberty Life's holding in Libsil will drop to 80%.

The Liberty Life Group owns 38,7% of SBIC of which Libsil holds 23,8% with a market value of R2,5bn. SBIC and Liberty Investors each own 50% of Liblife Controlling Corporation, the holding company of the Liberty Life Group.

Libsil's 27,3% interest in Beverage and Consumer Industry Holdings, the largest shareholder of SAB, is valued at R1,6bn, while its 0,9% stake in SAB is worth R143,5m. It also has a 23,4% interest in Premier Group, valued at R997m, and 4,6% of GFSA Holdings, worth R217,3m.

Libsil will declare its first dividend in March 1994 on income received between September 1 and December 31 1993.

The period would include the interim dividends of Premier and SAB and the final dividend of SBIC, Gordon said.

Stanprop short of target

BIDay 22/7/93

ANDREW KRUMM

STANDARD Bank Property Fund (Stanprop) was unlikely to achieve its budgetted, modest increase in earnings in 1993, MD Stewart Shaw Taylor said yesterday.

Releasing interim results for the half-year to June 1993, Shaw-Taylor said Stanpro was, however, well-positioned to minimise effects of the depressed property market, which would persist in the second half. Earnings in the second half of 1993 should approximate that of the interim period, as the company had a relatively stable tenant base. (58)

Stanprop posted a 2,5% decline in net distributable income to R27,17m (1992: R27,87m) for the half-year to end June. This equated to an interim dividend of 9,70c a unit, compared with 9,95c at the end of the prior period.

Although net rental income rose to R24,86m (R22,7m), interest received declined substantially to R3,37m (R6,3m). The reason was that the company had reduced large cash balances held in 1992 by investing about R60m in property, Shaw Taylor said. "Due to the changes in the portfolio, net rental income and interest income are not directly comparable to 1992."

He said difficult economic circumstances, compounded by political uncertainty, had continued to have an adverse impact on the property market during the period, resulting in an upward trend in vacancies. "This trend was partially offset by the successful renegotiation of upcoming leases, as well as the conclusion of a five year lease for our previously vacant Braamfontein office block."

About 3,5% of all leases (excluding leases on residential property) were up for renewal in the next six months, while 18% would be renegotiated in 1994. Vacancy levels in the portfolio ranged from 19% in the retail and office sector, to nil in the portfolio's specialised sector, he said.

Whole page

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
(Registration number 57/02788/06)

LIBERTY HOLDINGS LIMITED
(Registration number 6/02095/06)

58

LIBLIFE STRATEGIC INVESTMENTS LIMITED
(Registration number 83/06300/06)

PROPOSED LISTING OF LIBLIFE STRATEGIC INVESTMENTS LIMITED ("LIBSIL") ON THE JOHANNESBURG STOCK EXCHANGE

Joint announcement regarding:

- **the proposed listing of approximately 560 million ordinary shares in Liblife Strategic Investments Limited ("Libsil") on The Johannesburg Stock Exchange,**
- **the proposed offer by Liberty Life Association of Africa Limited ("Liberty Life") to its shareholders of rights to 114,57 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 50 ordinary shares in Libsil for every 100 shares held in Liberty Life,**
- **the proposed renunciation by Liberty Holdings Limited ("Libhold") to its shareholders of its rights to 59,52 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 130 ordinary shares in Libsil for every 100 ordinary shares held in Libhold, and**
- **notice of last day to register for the offer of rights to shares in Libsil (6 August 1993).**

1. INTRODUCTION

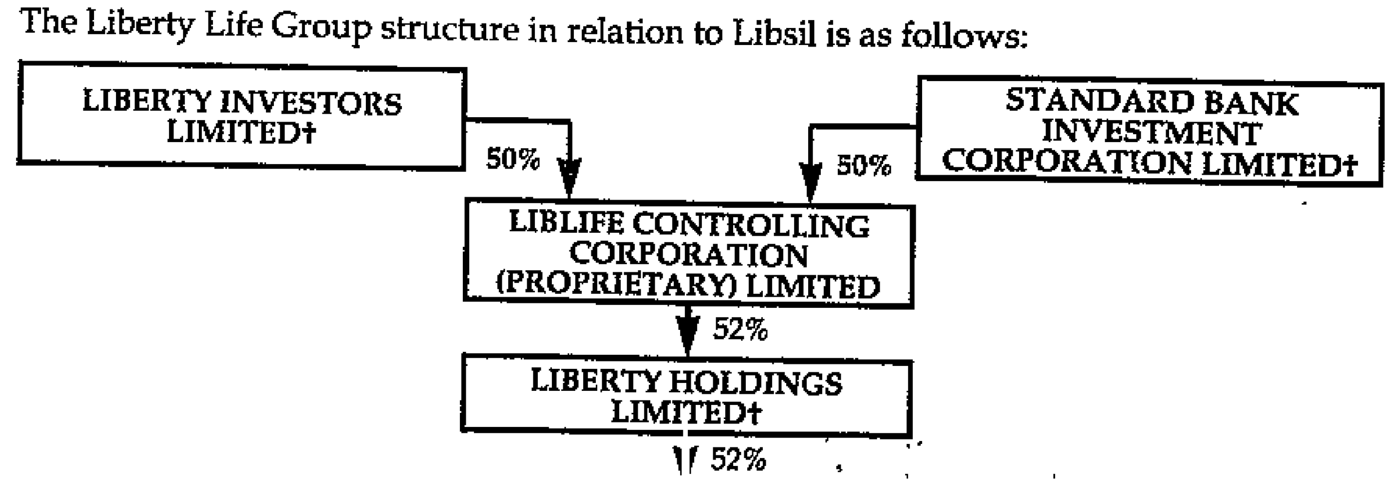
Libsil (formerly named The Liberty Life Investment Trust Limited) is a wholly-owned subsidiary of Liberty Life. It was incorporated in June 1983 for the purpose of holding, for the account of shareholders' funds of Liberty Life, part of the key strategic investments in leading South African industrial and financial companies which at the time of acquisition by Liberty Life were considered to be too large for prudent absorption within the policyholders' portfolios of Liberty Life. The market value of Libsil's underlying investments was approximately R5,6 billion as at 21 July 1993.

Liberty Life intends listing Libsil on The Johannesburg Stock Exchange ("the JSE") by offering to its shareholders the renounceable rights to 114,57 million Libsil shares ("the offer shares") in the ratio of 50 Libsil shares for every 100 Liberty Life shares held to raise approximately R1,03 billion for Liberty Life before expenses. These shares will be offered at a price of 900 cents per share calculated on the basis of a discount to Libsil's net asset value of around 10% at 21 July 1993.

In terms of the JSE regulations, Libhold, which owns 52% of the issued share capital of Liberty Life, will be renouncing to its shareholders its rights in respect of Liberty Life's offer in the ratio of 130 Libsil shares for every 100 Libhold shares held. The 30,97 million rights (equivalent to 27% of the offer) to which Liblife Controlling Corporation (Proprietary) Limited ("LCC") will be entitled in respect of its 52% interest in Libhold have been placed by Standard Merchant Bank Limited on behalf of LCC's shareholders by means of a private placement with selected institutional investors at a price of R10 per share, being 100 cents per right over the offer price, in aggregate approximately equivalent to Libsil's net asset value per share as at 21 July 1993. Standard Bank Investment Corporation Limited and Liberty Investors Limited have joint control of LCC, each owning 50% of its issued share capital.

2. THE LIBERTY LIFE GROUP STRUCTURE

The Liberty Life Group structure in relation to Libsil is as follows:



— facilitate Liberty Life in protecting the capital value of its core investments by the use of derivative instruments and specialised securities, including options, futures and other appropriate methods, to hedge investment volatility and enhance the performance of Libsil's portfolio.

3.3 Structure of share capital

The authorised share capital of Libsil comprises 800 million ordinary shares of 1 cent each and 55 000 redeemable cumulative preference shares of R1 each. After the successful completion of the proposed offer, Liberty Life will hold approximately 80% of Libsil's issued ordinary share capital which will consist of around 560 million ordinary shares. Libsil has total assets of almost R5,6 billion with a net asset value of about 1 000 cents per ordinary share as at 21 July 1993.

4. NATURE OF BUSINESS OF LIBSIL

4.1 Nature of investments

Set out below is a summary of the underlying investments constituting Libsil's portfolio:

	Number of shares held	% of share capital	Market value (as at 21 July 1993) (Rm)	% of Libsil's portfolio
Standard Bank Investment Corporation Limited	28 303 198	23,8%	2 547,3	45,6%
Direct and indirect interest in The South African Breweries Limited			1 702,0	30,5%
Beverage and Consumer Industry Holdings Limited	19 360 000	27,3%	1 558,5	27,9%
The South African Breweries Limited	2 342 888	0,9%	143,5	2,6%
The Premier Group Limited	19 360 000	23,4%	997,0	17,9%
GFSA Holdings Limited	555 819	4,6%	217,3	3,9%
Other investments, derivatives, bank deposits and money market instruments*			117,5	2,1%
			5 581,1	100,0%

*Includes preference shares convertible into approximately 515 000 shares in Standard Bank Investment Corporation Limited.

In essence:

- if either group intends to sell its shareholding in Bevcon or Premier, it must first offer it to the other group at a stipulated price;
- failing acceptance by the other group to acquire the shareholding at the stipulated price, the offeror shall be entitled, in turn, to offer to acquire the other group's shareholding at the stipulated price;
- the offeree must either accept that offer and sell its shareholding at the stipulated price or purchase the offeror's shareholding at that price.

The terms of the joint control arrangements provide that the price to be stipulated by the initiating group must be 25% over the market price, calculated over a specified period not exceeding six months. Libsil is a member of The Liberty Life Group for the purpose of the joint control arrangements.

4.4 Strategic value of Libsil's portfolio

Although the value of the investments owned by Libsil, as set out in 4.1, is based on the market value of such holdings on the JSE, Libsil's net asset value does not reflect for this purpose the special value or strategic importance of such investments generally or in the light of the joint control arrangements described in 4.3.

4.5 Historical performance of Libsil's investments

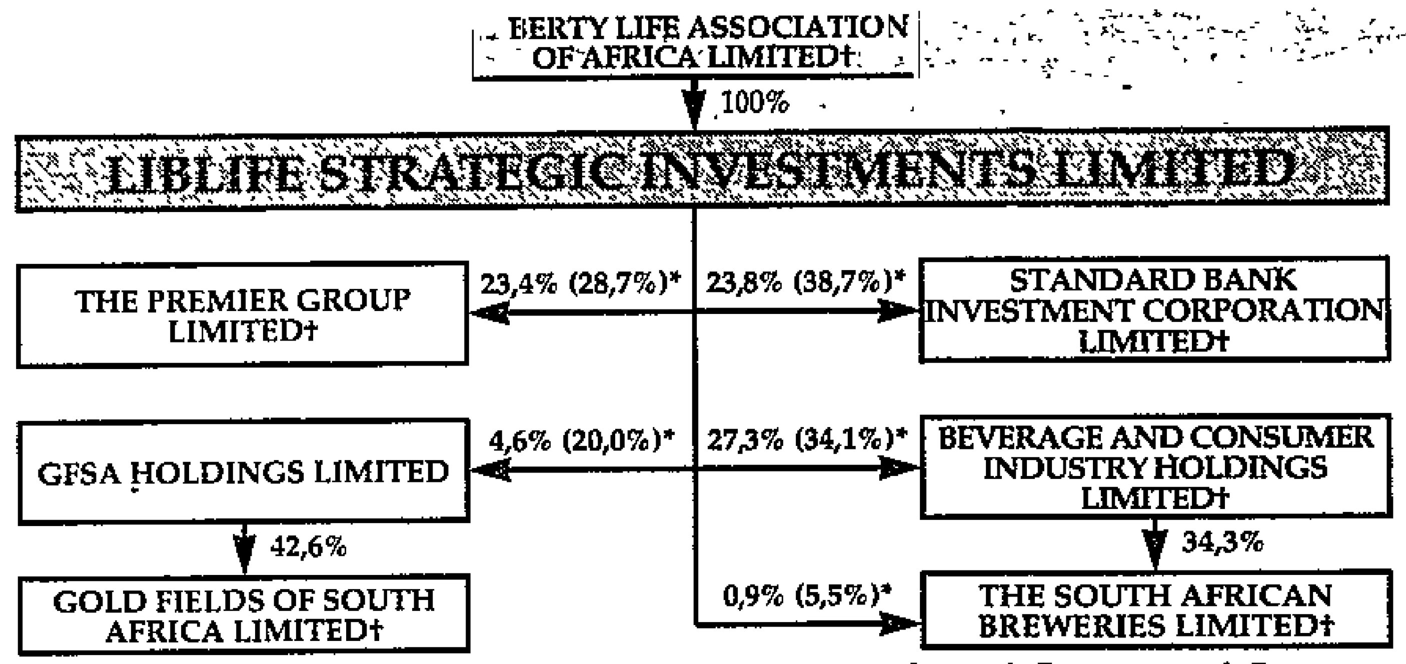
Libsil's historical performance has been calculated on the basis that its portfolio as currently constituted has existed for the period 1 January 1990 to 21 July 1993.

Given the nature of the underlying investments of Libsil, its performance is best assessed relative to the JSE Actuaries Financial and Industrial Index. For the period 1 January 1990 to 21 July 1993, Libsil's portfolio of equity investments has outperformed this index by 47%.

Over the same period, Libsil's compound capital growth rate based on the market value of its investments was 30% per annum, compared to the average inflation rate of 13,8% and the annual compound growth rate in the JSE Actuaries All Share Index of 9% for the same period.

4.6 Investment policy

It is the intention of Liberty Life to develop Libsil's investment portfolio where appropriate, through the organic growth of its existing investments, additional acquisitions of such investments and through further opportunities which might arise for it to participate in new strategic investments which are taken up by The Liberty Life Group as a whole on similar principles to those which have been and are now applicable, whereby the requirements of the policyholders of Liberty Life in appropriate circumstances are



* Libsil's investments in Standard Bank Investment Corporation Limited, Beverage and Consumer Industry Holdings Limited, The South African Breweries Limited, The Premier Group Limited and GFSA Holdings Limited form the core of larger strategic holdings that The Liberty Life Group has in these companies.

The aggregate Liberty Life Group shareholdings are shown in parentheses. The difference between such aggregate shareholdings and Libsil's holdings primarily represents the shareholdings held by the policyholders' portfolios of Liberty Life.

†Listed on The Johannesburg Stock Exchange.

3. PURPOSE AND OBJECTIVES OF THE PROPOSED OFFER AND LISTING AND RESULTANT CAPITAL

3.1 Purpose

Libsil's investments represent a major part of Liberty Life's strategic holdings in high quality South African financial and industrial counters which are held for the account of shareholders' funds but exclude strategic offshore investments of Liberty Life, notably TransAtlantic Holdings PLC. The exceptional performance of these investments has contributed to Liberty Life's superior performance over an extended period of time. Libsil was formed in order to facilitate the acquisition of these strategic investments which, when acquired, were too large for prudent absorption within the policyholders' portfolios of Liberty Life. As a consequence, Liberty Life's shareholders' funds, together with additional finance raised, including issues of ordinary and preference share capital, provided the necessary funding for the acquisition of the balance of these important strategic holdings in excess of the levels regarded as prudent for policyholders at the time.

The listing of Libsil provides the opportunity for shareholders in Liberty Life and Libhold and other investors to participate directly in this established portfolio of high quality strategic investments that have been built up by The Liberty Life Group over the last decade. The proposed offer is significant by virtue of its size and the relative illiquidity and consequent lack of availability on the JSE of the underlying shares constituting Libsil's strategic investments.

3.2 Objectives

The flotation of Libsil will, inter alia:

- — enable shareholders of Liberty Life and Libhold and other investors, institutional and otherwise, to acquire direct exposure to the high quality portfolio constituting Liberty Life's strategic investments;
- — de-gear The Liberty Life Group and balance its holding of major strategic investments;
- — create flexibility with a view to expanding Libsil's portfolio of strategic investments in the future;
- — achieve greater transparency of the nature of Liberty Life's strategic investments for the benefit of shareholders and investors on the JSE in the light of the potential new market in South Africa, particularly for international investors;
- — enable Libsil to utilise its equity for further acquisitions of strategic shareholdings;
- — facilitate the repayment of debt and the redemption of relatively expensive preference shares previously issued by Libsil;
- — release funds for the further development of Liberty Life;
- — enhance the earnings of Liberty Life in the future; and

The major investments of Libsil form the core of The Liberty Life Group's strategic equity investment holdings:

4.2.1 The Liberty Life Group owns in aggregate 38,7% of Standard Bank Investment Corporation Limited's ("SBIC") share capital, thereby constituting it as the largest shareholder in SBIC.

As part of The Liberty Life Group's aggregate holdings, Libsil's 23,8% interest in SBIC, having a market value of R2,5 billion based on a market price of 9 000 cents per share, constitutes Libsil as the largest and most significant shareholder in SBIC within The Liberty Life Group. SBIC is the holding company of The Standard Bank of South Africa Limited, the leading commercial bank in South Africa. The SBIC group's activities include commercial and merchant banking, leasing and financing activities, unit trust management, participation mortgage and housing finance, life insurance and non-life insurance broking, credit card facilities and trust company services. SBIC operates in the United Kingdom, Jersey, the Isle of Man and Taiwan and its representation in Africa was expanded in 1992 when it acquired the Africa banking arm of ANZ Grindlays bank.

SBIC also owns 50% of, and together with Liberty Investors Limited has joint control of LCC, the ultimate holding company of The Liberty Life Group. The value of this investment, at the market value of SBIC's attributable interest in Libhold of 11,9 million shares was R2,06 billion as at 21 July 1993, equivalent to 19% of the market capitalisation of SBIC on the JSE at such date, implying an indirect interest attributable to Libsil of approximately R500 million in the equity of Libhold.

4.2.2 The Liberty Life Group shares joint control of Beverage and Consumer Industry Holdings Limited ("Bevcon") pursuant to an agreement with Johannesburg Consolidated Investment Company, Limited ("JCI") and Anglo American Corporation of South Africa Limited ("Anglo American"). Bevcon, in which The Liberty Life Group has a 34,1% interest, is the largest shareholder in The South African Breweries Limited ("SAB"), owning 34,3% of its issued ordinary share capital.

Libsil's portion of The Liberty Life Group's interest in Bevcon amounts to a 27,3% holding in Bevcon having a market value of R1,6 billion based on a market price of 8 050 cents per share. SAB is South Africa's largest consumer-orientated group. Its major activity is the brewing of clear beer in which it dominates the South African market. SAB also has significant interests in the manufacture and distribution of other beverages, in retailing and hotel operations and in the manufacture of selected mass market consumer goods, together with strategic investments in other businesses which complement its mainstream interests.

In addition, The Liberty Life Group also has a 5,5% direct holding in SAB, which includes Libsil's 0,9% direct interest in SAB, having a market value of R144 million based on a market price of 6 125 cents per share.

4.2.3 The Liberty Life Group has in aggregate a 28,7% shareholding in The Premier Group Limited ("Premier"). Similar joint control arrangements to those relating to Bevcon exist with Anglo American and JCI in respect of Premier. Libsil's 23,4% interest in Premier, having a market value of R997 million based on a market price of 5 150 cents per share enjoys the benefit of forming part of this larger strategic holding. Premier is the holding company of one of South Africa's largest food and pharmaceutical manufacturers and distributors. Premier's activities comprise the milling of maize and wheat, the manufacture and distribution of food products, edible oils and fats, marine products, animal feeds, pharmaceuticals and industrial chemicals, cotton ginning and the wholesale and retail distribution of groceries, toiletries and allied products.

4.2.4 The Liberty Life Group has a 20,0% interest in GFSA Holdings Limited ("GFSA Holdings"), an unlisted company which holds 42,6% of the issued share capital of Gold Fields of South Africa Limited ("GFSA"). Libsil's portion of The Liberty Life Group's shareholding amounts to 4,6% of GFSA Holdings and has a value of R217 million based on the attributable underlying market value of GFSA at 10 500 cents per ordinary share. GFSA is a leading South African mining finance house involved in the mining and processing of gold and other precious metals and minerals.

4.3 Nature of joint control arrangements in respect of Bevcon and Premier

The joint control arrangements in respect of Bevcon and Premier include certain provisions which aim to ensure that, on a disposal by either The Liberty Life Group or The Anglo American/JCI Group of their joint controlling strategic shareholdings in such companies, such group receives a fair commercial price reflecting the significance of the joint controlling shareholding (viz 25,05% of the equity of each of Bevcon and Premier respectively dedicated by each group).

and acquire, together with other members of The Liberty Life Group, strategic interests in leading companies. It is further the intention that Libsil will participate in the benefits of any special arrangements entered into by The Liberty Life Group in making strategic acquisitions.

The performance of long term South African investment portfolios is not immune to the effects of international and local volatility within the equity, property, and commodity markets. Liberty Life intends applying its expertise, where appropriate, in the use of derivative instruments, such as options, futures and other appropriate methods, to hedge investment risk and enhance the performance of Libsil's portfolio.

4.7 Management services

Libsil's operating expenses are expected to be minimal as Liberty Life will continue to perform the management and investment function of Libsil and will not be charging a management fee for this service for so long as Libsil remains a subsidiary of Liberty Life.

4.8 Dividend policy and financial year end

Libsil's dividend policy will be, in so far as it is practically possible, to distribute to its shareholders substantially all net income received after providing for operating expenses.

The financial year end of Libsil is 31 December and dividends will normally be declared by Libsil in March (final) and August (interim) each year payable in the succeeding April and October respectively following such declarations. The first dividend payable by Libsil will be declared in March 1994, payable in April 1994, in respect of the period ending 31 December 1993 and will take into account all net income accruing to Libsil after 1 September 1993.

5. EXCESS APPLICATIONS

In terms of the proposed offer, shareholders in Liberty Life and Libhold and/or their renouncees who take up their rights to purchase offer shares will be entitled to apply for an unlimited number of additional Libsil shares in excess of their rights entitlements at 1 000 cents per share, being the approximate net asset value per Libsil share at 21 July 1993. In effect, such additional shares applied for will be issued at a price per share which is 100 cents in excess of the offer price. Such applications will be satisfied to the extent that the offer is not taken up by shareholders of Liberty Life and Libhold or their renouncees.

6. APPLICATION FOR LISTING

Application will be made to the JSE for a listing of the 114,57 million renounceable (nil paid) letters of allocation to be issued pursuant to the offer in the "Financial — Insurance" sector of the JSE lists and for a listing of Libsil's shares in the "Industrial — Industrial Holdings" sector of the JSE lists under the name "Libsil".

7. NOTICE OF LAST DAY TO REGISTER

The last day for shareholders of Liberty Life and Libhold to register as such in order to participate in the offer will be the close of business on Friday, 6 August 1993.

On behalf of

Liberty Life Association of Africa Limited

Liberty Holdings Limited

Liblife Strategic Investments Limited

Donald Gordon
Chairman

22 July 1993
Johannesburg

MERCHANT BANK

The Merchant Bankers

(Registration number 64/08586/06)

ATTORNEYS

South Africa
Edward Nathan & Friedland Inc.
(Registration number 77/00525/21)

United Kingdom
Linklaters & Paines

SPONSORING BROKERS

South Africa
Davis Borkum Hare & Co Inc.
(Registration number 72/09126/21)
(Member of The Johannesburg Stock Exchange)

United Kingdom
S. G. Warburg Securities Ltd.

TRANSFER SECRETARIES

South African Transfer Secretaries of Liberty Life, Libhold and Libsil

Central Registrars Limited
(Registration number 67/04220/06)
4th Floor, 154 Market Street, Johannesburg, 2001

United Kingdom Transfer Secretaries of Liberty Life

Barclays Registrars Limited
Bourne House, 34 Beckenham Road, Beckenham
Kent, BR3 4TU

INCE

SA a pacemaker

FM 23/7/93.

(56)

Regulation of SA's financial institutions and markets will be transformed over the next few years. The first meeting, later this month, of the recently announced Policy Board for Financial Services & Regulation, will start a process which will bring SA into line with recent international trends, ahead of some of the world's major financial centres.

The latest move will consolidate, under one policy umbrella, the responsibilities of:

- □ The Office of the Registrar of Banks, now a division of the Reserve Bank;
- □ The Financial Services Board. This regulates short- and long-term insurance, pension funds, unit trusts, participation bond schemes, portfolio management, friendly societies and the financial markets (JSE, Bond Market Association and Safex); and
- □ Financial brokers and other intermediaries, presently unregulated or inadequately regulated, among others, non-JSE brokers and certain fund managers.

The issue has been under debate for several years and has been the subject of a report by Japie Jacobs, economic adviser to the Minister of Finance, and also by Judge David Melamet. The latest move is in line with the recommendation of the Jacobs Committee and falls short of the recommendations of the Melamet Committee, which called for full administrative integration.

It has been decided, for practical reasons, that day-to-day supervision will continue to be conducted by the Reserve Bank and the Financial Services Board (whose CE Piet Badenhorst is also Registrar of Financial Markets). Policy direction will come from the new policy board which is to be chaired by Chris de Swardt, a deputy governor of the Reserve Bank.

Meanwhile, this move will help distinguish the central banking function and bank supervision and eliminate a potential conflict of interest for the Central Bank, says Governor Chris Stals, which arises from its dual capacity of banking supervisor and lender of last resort.

The responsibility of the first is to ensure that insolvent banks are not allowed to continue to exist, while the responsibility of the second is to maintain confidence in the banking system, if necessary, by supporting a bank strapped for cash. The conflict usually arises when it is not clear whether a bank faces a liquidity or solvency crisis.

This situation arose with the collapse of the Cape Investment Bank (CIB) in 1991. That bank had been taken over by Prima Bank and, at the time, major depositors assumed that, because the Reserve Bank sanctioned the move, it was prepared to underwrite the ailing bank.

When banking registrar Hennie van Greuning applied for the liquidation of CIB, the Central Bank came in for considerable criticism, though it covered deposits of up to R5m by a single depositor.

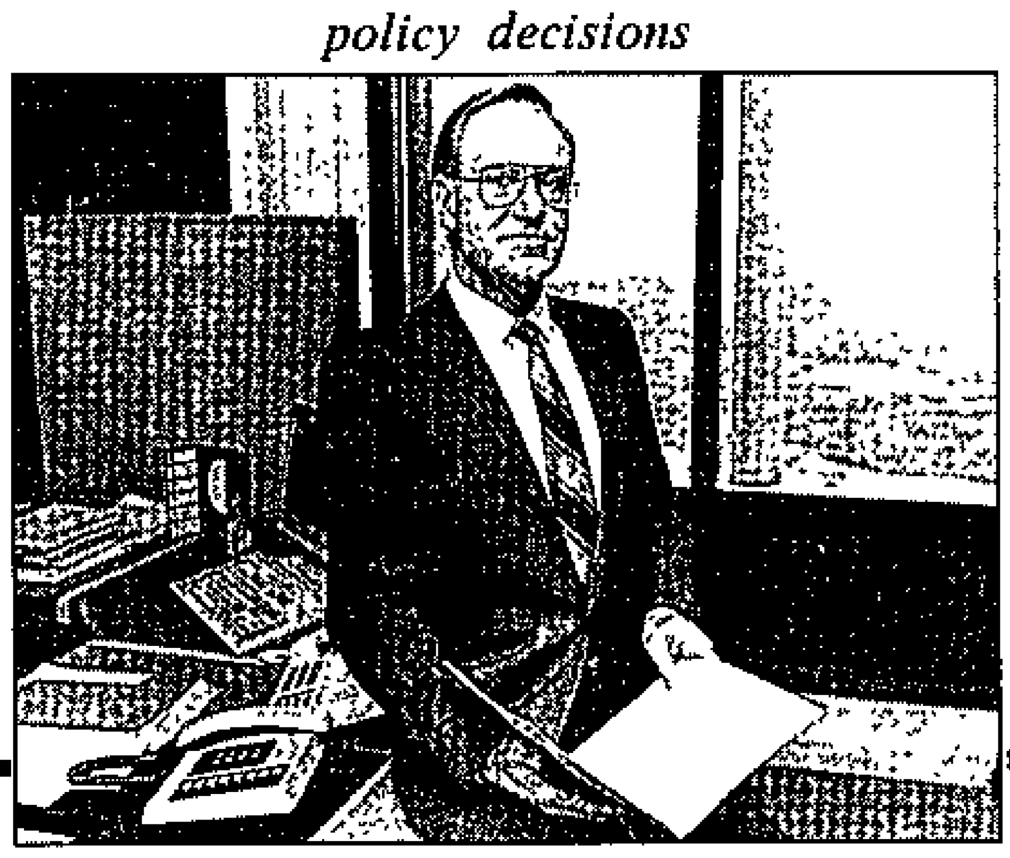
"We have been in a no-win situation," says Stals. "If we don't liquidate an institution we are criticised for giving assistance; if we do, we are criticised by the people who lose money."

Says De Swardt: "The ultimate decision whether or not to assist a bank in financial distress will rest on the extent to which the banking system is endangered and on the availability of some form of deposit insurance scheme for small depositors."

But this is only part of a broader picture. The issue has always been a controversial one. In the UK, supervision of banks lies with the Bank of England, whereas in Germany it falls beyond the scope of the Bundesbank and is implemented by a government agency. In the US, a multi-tier system operates, involving the Federal Reserve System, the federal government and state governments.

"In recent years," says Stals, "it has become increasingly difficult to separate the supervision of banking from the supervision of other financial institutions, because financial services are increasingly provided by all. Whether central banks like it or not, this is happening in the markets and the authorities must accept that one has to move to a more functional approach — and also to competitive regulatory neutrality and consolidated supervision."

De Swardt ... *overall policy decisions*



An important consequence of the move towards neutrality is that any principal trading in securities will eventually be obliged to hold capital to cover resulting risk exposures — as banks are required to do under the Banks Act — to ensure the stability of financial markets.

"To apply this kind of across-the-board regulation makes co-ordination between all financial supervisors essential," says Stals.

SA has the advantage, he points out, of having experience of both systems. "Until 1987, bank supervision was the responsibility of the Financial Institutions Office in the Department of Finance. The Reserve Bank took it over for practical reasons — the salary structure of the civil service did not allow for a remuneration package that would attract the kind of skills needed for banking supervision. The Bank has been able to put together a complement of 50 people, including accountants, lawyers and economists.

A practical problem arises, says Stals. "People have joined the Reserve Bank because they would like to make a career for themselves in central banking. This is part of the attraction of the job."

So the Department of Banking Supervision will not be completely divorced from the Bank at this stage. The Bank will continue to fund the operation, its staff will remain Reserve Bank employees and De Swardt will remain a deputy governor and devote part of his time to chairing the new board. The FSB leg of the operation will continue to be funded by the private sector.

The advances SA has made in reforming financial regulation and supervision were encouraged by the need to rewrite banking legislation, when the supervisory function was moved to the Reserve Bank. The legislation was drafted after the Basle Committee made its recommendations on capital adequacy and co-ordination of international banking supervision. So SA was one of the first countries to implement them.

The new arrangements will require only a few amendments to the banking legislation introduced in 1991.

SANDY BAY FM 23/7/93. (58)

In writing please

The scaling down by Absa of its controversial development proposals for its Hout Bay property, which stretches from Hout Bay's hillside to Sandy Bay, is a partial victory for opponents of development.

Previously it proposed developing 270 residential stands on 20% of the 266 ha site (*Property* July 9), which meant the development would encroach on Hout Bay's sand dunes. The remainder of the site, including Sandy Bay, was to be set aside for a nature reserve.

Its latest proposal, put to interested parties at a meeting on July 19, is to develop only 10% of the site — about 140 stands — *below* the Hout Bay dunes. In addition, Absa has guaranteed that the remainder of the site will be preserved and managed as a natural area and integrated with the overall plan for the South Peninsula mountain chain, which is to be tabled in March.

Opponents, united under the banner of the

FM 23/7/93 (58)

Hout Bay Coalition, say the victory is only "partial" until such time as whatever rezoning takes place applies only to the portion affected by the revised development proposal; that the remainder of the property is committed to a trust or some other institution for administration as a proclaimed nature reserve; that a management plan for the area is drawn up with the assistance of experts and urgently implemented; and, once the proposal is put to the people of the area for general approval at a public meeting.

According to Absa's consultant, Planning Partnership, Absa will take full financial responsibility for the future management of the proposed nature reserve. ■

Star 23/7/93

Strategic move at Liblife

58

By Stephen Cranston

In a move that is certain to spice up the JSE, the Liberty Life Group is listing its strategic investments into a new counter, Liblife Strategic Investments (Libsil).

It will be listed in the Industrial Holdings sector.

Liberty Life chairman Donald Gordon says that the group has invested in the cream of South African companies, and the shares in the underlying companies are tightly held.

The market capitalisation of the underlying investments is R5,6 billion.

Premier

The most important component of Libsil, accounting for 45,6 percent of the portfolio, will be a 23,8 percent holding in Standard Bank Investment Corporation and 30,5 percent will consist of direct and indirect interest in SA Breweries, with 27,3 percent of the Bevcon share capital and 0,9 percent of SA Breweries itself.

The next largest investment is a 23,4 percent stake in the Premier Group, comprising 17,9 percent of the portfolio and 4,6 percent of GFSA Holdings, which makes up 3,9 percent of the total.

Donald Gordon . . . Pitting his reputation against others.

Gordon says that company law made it impossible to include shares in Liberty Life, though there is an indirect interest through Stanbic's stake in Liberty Holdings, which is worth R500 million.

It will not include Liberty's offshore investments such as TransAtlantic Holdings.

Nevertheless, the underlying investments have outperformed the Financial and Industrial Index by 47 percent since the beginning of 1990.

The listing will raise R1,03 billion for Liberty Life, half of which will go to redeeming Libsil's preference shares, degearing the Liberty Life Group and half will go to the further development of Liberty Life.

About 560 million ordinary shares will be listed and 114,57 million shares will be renounced to shareholders at a price of 900c, a 10 percent discount to net asset value.

Liberty Life shareholders will be entitled to 50 Libsil shares for every 100 Liberty Life shares and 130 Libsil shares for every 100 Liberty Holdings shares.

The rights held by the Liberty Controlling Corporation, which is jointly owned by Stanbic and Liberty Investors, have been placed with selected institutional investors by Standard Merchant Bank at R10 a share.

After the offer, Liberty Life will hold 80 percent of Libsil.

Gordon says investors will acquire a direct exposure to the high quality portfolio of strategic investments, and it will provide the group with flexibility if it chooses to expand its strategic investments in the future.

It will achieve greater transparency of the nature of Liberty Life's strategic investments for the benefit of the shareholders and investors on the JSE in the light of the potential new market in South Africa, particularly for international investors.

All the net income will be distributed to its shareholders insofar as it is practically possible.

No management fee

Unlike an investment trust, there will be no management fee charged to Libsil so long as it remains a Liberty Life subsidiary.

Gordon says that as there's no cut for management, he does not expect Libsil to trade at a discount to the underlying value of its investment.

"None of the Liberty shares have ever traded at a discount, so it's a case of pitting my reputation against others."

An added attraction is that the Bevcon and Premier investments is that if either Liberty Life or Anglo American/JCI intend to sell their joint controlling shareholding, they must offer it to the other party at a price 25 percent above the average market price over six months, and should it not accept the offer the other party is entitled to offer to buy out the other party at the same price.

If the buy out procedure is carried out, Liberty Life will either get outright control or sell out at a substantial premium.

Liberty Life to list Libsil, raise R1bn

CT 23/7/93 (58)

Own Correspondent

JOHANNESBURG. — Liberty Life is to raise about R1,03bn by listing its wholly owned subsidiary Liblife Strategic Investments (Libsil) on the JSE.

The cash raised will be used to develop Libsil's business and repay its debt.

Liberty Life chairman Donald Gordon said Libsil would have an indirect interest in Liberty Life through its 23,8% holding in Standard Bank Investment Corporation (SBIC). It also owns significant stakes, directly and indirectly, in Premier Group and SA Breweries (SAB). Libsil's total investments in leading financial and industrial companies are worth R5,6bn.

"Liberty's offshore investments are now held through First International Trust (FIT) and its local investments through Libsil," Gordon said.

"This is an important transaction for Liberty Life. It will strengthen our flexibility and improve our position with regard to our strategic investments, which now represent a substantial portion of Liberty Life's capital base. The idea is to degear the Liberty Life Group and balance its holding of strategic investments."

Liberty Holdings (Libhold) MD Farrell Sher said the investments held by Libsil were core investments to the Liberty group, and Liberty was giving shareholders the opportunity to participate in them. He said the move could not be described as an unbundling since the holdings were "fundamental and germane" to the group.

Some of the main reasons cited for Libsil's listing were to offer the group's shareholders and other investors direct exposure to Liberty Life's portfolio of strategic investments, to degear the Liberty Life Group and to give greater transparency to Liberty Life's investments in view of the potential new market in SA — especially for international investors.

The move will release funds for the further development of Liberty Life and enhance its future earnings. Libsil will be able to use its equity for further acquisitions of strategic shareholdings.

Libsil, formerly known as Liberty Life Investment Trust, will list 560-million ordinary shares on the JSE. Liberty Life will offer its shareholders 114,57-million ordinary shares in Libsil at 900c each, in the ratio of 50 Libsil shares for every 100 Liberty Life shares held.

Libhold, which owns 52% of Liberty Life, will renounce to its shareholders its rights to 59,52-million ordinary shares in Libsil at a price of 900c each in the ratio of 130 ordinary shares in Libsil for every 100 Libhold shares held. After the listing, Liberty Life's holding in Libsil will drop to 80% from the present 100%.

The Liberty Life Group owns a total of 38,7% of SBIC of which Libsil holds 23,8% with a market value of R2,5bn. SBIC and Liberty Investors each own 50% of Liblife Controlling Corporation (LCC), the holding company of the Liberty Life Group.

Libsil's 27,3% interest in Beverage and Consumer Industry Holdings (Bevcon), the largest shareholder of SAB, is valued at R1,6bn, while its 0,9% stake in SAB is worth R143,5m. It also has a 23,4% interest in Premier Group, valued at R997m, and 4,6% of GFSA Holdings, worth R217,3m.

Liberty Life said Libsil's portfolio outperformed the JSE Actuaries Financial and Industrial Index by 47% between January 1 1990 and July 21 1993.

Libsil will declare its first dividend in March 1994 on income received between September 1 and December 31 1993.

The period would include the interim dividends of Premier and SAB and the final dividend of SBIC, Gordon said.

Libsil brings the cream of the company crop to JSE

S/Times (Buss)

25/7/93

By CHERILYN IRETON

LIBERTY Life's decision to spin the bluest of its blue-chip investments into a separate holding company will give the JSE its biggest new listing yet.

The investments to be housed in Liblife Strategic Investments (Libsil) are described by chairman Donny Gordon as the cream of South African companies. They have a market worth of R5,6-billion.

Libsil will be among the top 30 JSE companies when it is listed in September.

Liberty Life shareholders will be offered shares in the new company — at a 10% discount to the current market value — through a R1,03-billion rights issue.

Liberty Holdings, which owns slightly more than half of Liberty Life, will pass its rights to its shareholders. (58)

Liberty Life Group will control about 80% of Libsil, private investors and institutions owning the rest.

Mr Gordon sees the company as a desirable investment for foreigners seeking a stake in some of SA's most strategic companies.

Libsil investments ~~are a~~ 23,8% stake in the Standard Bank Investment Corporation, 27,3% of Bevcon, which owns 34,3% of SA Breweries, 23,4% of Premier Group and 4,6% of GFSA Holdings.

These investments have outperformed the JSE's financial and industrial index by 47% in the past 3½ years.

Mr Gordon believes they will continue to do so.

"They have been getting better and better. Standard Bank outpaced the other banks and Premier, which for years lagged behind Tiger, has done the opposite."

There are many motives behind the deal, but it is not the foundation for any unbundling of the Liberty group.

Decade

Mr Gordon says: "We have no intention of unbundling. The deal is meant to consolidate and balance our portfolio, and to give us more cash and flexibility for investments.

"These investments constantly require fresh capital. We can't manage our portfolios prudently if shareholders have to keep chipping in new funds.

"We like to do something for our shareholders — to give them the chance to participate directly in something created out of their money over the past decade."

The deal was in the pipeline for six months and its completion does not mean the end of the road for Mr Gordon, now 63.

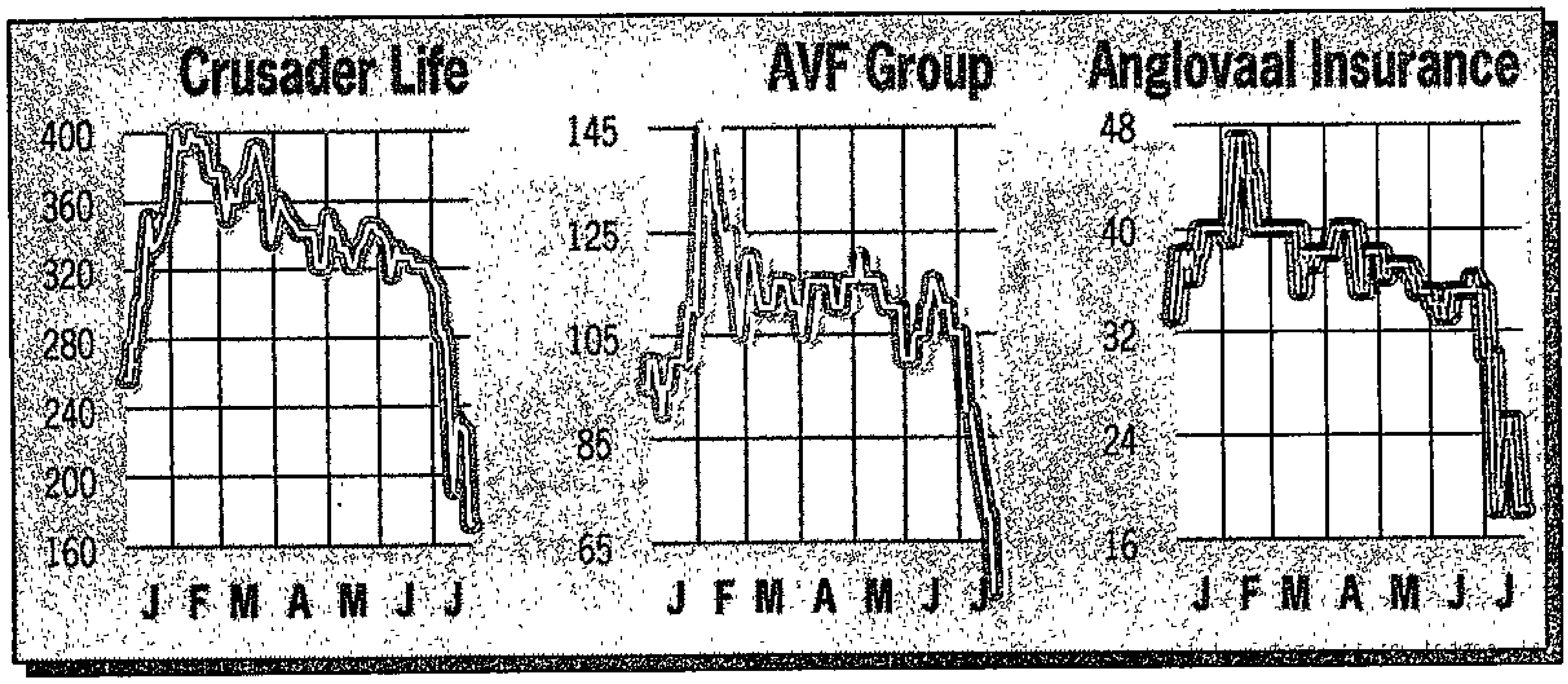
"I'm very hyped up and have easily another five years in the company. I am enjoying myself enormously. This opens up tremendous new avenues for us," he says.

The funds raised by Liberty from the rights issue will be used to degear the group. About R500-million will be used to redeem preference shares and repay debt. The balance will go to development of Liberty Life.

Liberty Life shareholders will be offered renounceable rights to 20% of the 560-million ordinary shares that will eventually be listed. They will pay R9 a share in the ratio of 50 Libsil shares for every 100 held in Liberty Life. Shareholders in Liberty Holdings will be offered 130 Libsils for every 100 Libhold shares. The net worth, based on Wednesday's market price of the investments, is R10 a share.

The last day to register for the offer is August 6.

Standard Bank and Liberty Investors, which qualify for rights through their holding in Liblife Controlling Corporation, have placed theirs with selected institutions at R10 a share and 100c a right.



Graphic: FIONA KRISCH Source: I-NET

S/Times (Buss) 25/7/93

Insurer share deals probed

By CHERILYN IRETON

AN insider trading probe is under way into dealings in shares of Anglovaal's three listed insurance companies.

The Securities Regulation Panel asked the Johannesburg Stock Exchange this week to furnish it with details of recent trade in Crusader Life, Anglovaal Insurance Holdings and holding company AVF Group.

This follows the dramatic decline in prices of the counters in the past month. Their market worth has halved. Crusader is now trading at R1,70, Anglovaal Insurance Holdings (Avins) at 18c and AVF at 55c.

The decline occurred before shareholders were told this week by the Crusader board that there were serious problems in foreign associate Pegasus Insurance.

CHAIRMAN DAVE DE BEER

Pegasus's promised profits of around £500 000 for 1992 turned into a £441 000 loss. This led to a warning to Crusader shareholders that dividends for the year to June were unlikely.

At the end of June it became clear to management that Crusader would be unable to follow a rights issue in Pegasus.

Its effective shareholding has halved from 28% to 14%.

The Rowand family, represented by brothers Don and Bob, sold part of its 4% shareholding in Crusader in April. Don Rowand was executive chairman until his resignation in March. Brother Bob resigned as Crusader managing director at the end of June. Both are still on the board.

Don Rowand says: "After I resigned, I waited a suitable period before disposing of some of the shares."

The shares were sold over a period of time about the end of April. (58)

Crusader chairman Dave de Beer says he first suspected trouble in Pegasus when he went abroad in June.

"The misstated figures arose from an error of principle applied by the Pegasus actuary in a field which the auditors didn't understand clearly enough. The actuary has since resigned.

"I was uneasy about the yearend profits as reflected and asked an outside actuary to go through the principles he had applied in calculating the present value of new business. He reported that he believed there was double counting.

"I went over for a board meeting on 25 June to approve the final accounts and expressed my concerns at the meeting. The result was that after rechecking by the auditors, the profit turned out to be a loss."

Between June 25 and July 21 when shareholders were told of the problems Crusader's share price fell from R3,20 to R1,70. Avins halved from 38c to 18c a share. The share price in AVF group fell from R1,10 to 70c.

ABSA levy 'is intimidation tactic'

S1 Times (C) (Metro) 25/7/93

By DIANA STREAK

ABSA's decision to levy stiff deposits for investigating client's claims of interest being overcharged has been slammed by one of the private companies investigating these claims.

Cawood Financial Services was informed by Volkskas Bank, one of the banks which make up ABSA, that a basic fee of R1 000 per claim would be charged, refundable if the claim was successful.

The first year's bank statement would cost R5 and R10 would be charged for each statement for the successive year. This would not be refundable.

Only on receipt of these fees would the bank give the interest claim its "further attention", Volkskas said in a letter to CFS.

(58)

Mr Leonard De Klerk, a director of CFS, said his company was not totally surprised by ABSA's latest step as they had experienced increasing antagonism from ABSA about clients whose accounts were being investigated.

"We view this step as a tactic by ABSA to intimidate clients and to frighten them off from undertaking interest investigations," he said.

Mr De Klerk said it was every client's right to investigate their statements and the interest charged them.

He said their investigations showed that mistakes in the interest levied by banks had taken place for some time.

Mr De Klerk said that ABSA's actions should not intimidate clients who should persevere with the investigation of their accounts.

"It is clear that ABSA is not interested in its clients and is prepared to take on the wrath of dissatisfied clients," he said.

He said ABSA had left them no choice but to arrange alternative financing for each client with an interest claim and, if necessary, to take steps against ABSA.

Mr De Klerk said his company had had no problems with other banks which handled claims on a merit basis and, if the claim was valid, paid out without hesitation.

Attempts yesterday to obtain comment from ABSA were unsuccessful.

Boycott of bonds could be on cards

Star 27/11/93

By Philip Zoio

The South African National Civic Organisation (Sanco) yesterday suspended an agreement with banks to help solve township housing problems, but left the decision to call for a bond boycott to local civics.

The agreement, with the Association of Mortgage Lenders (AML), provided for the establishment of a system in which community advisers would help home buyers who were having difficulty meeting bond payments.

Sanco president Moses Mayekiso said the civic body had made the decision because banks had violated the agreement by "using certain clauses to benefit their greedy needs".

AML have denied reneging on the deal.

Advisers

Mayekiso said several banks had broken the agreement by taking unilateral steps to evict certain home buyers without making available the community advisers.

They had also last month reversed their position on funding the community advisers, Mayekiso said.

He said Sanco would decide in its next national executive committee meeting late next month whether to scrap the agreement.

Until then, local civics would choose their own course of action, which could include the resumption of the bond boycott at a local level, he said.

In a statement, AML said Sanco was under the false impression that banks had agreed to pay the salaries of community advisers.

AML said that banks could not compromise their neutrality by showing favour to certain parties.

Star 27/7/93

Small business sector needs a voice

By Stephen Cranston

The National Economic Forum is a classical conspiracy of crony capitalists, says Ian Hetherington, MD of Job Creation.

Hetherington says that the small business sector including the informal sector represents 30 to 40 percent of the total economy but has been allocated a mere 0,1 percent of the budget.

"It appears that the allocation of these moneys has been given to the NEF which doesn't have the appropriate expertise to do this."

He argues that government retain decision-making powers and takes advice from all quarters — including taxpayers, consumers, the unemployed and small business sector — none of whom are in any way adequately represented on the NEF."

Hetherington has just returned from the US and UK where he investigated small business support groups. He says he has no problem with big labour and big business advising the minister, providing the minister also listens to other advisers. "The NEF appears to be agreeing that centralised bargaining continue through the industrial council system. The state then gives statutory support to these agreements between big labour and big business and imposes them on non-participants.

He says the small business sector needs to be separately represented as interests differ from those of the corporate sector.

"Ideally we should follow the British and American examples and appoint a small firms minister and a small business commissioner to look after the interests of the most efficient job generating sector of the economy."

He also urges the state to set aside a portion of state purchasing for small firms.

In the US any state purchase of less than $25 000 is reserved for competitive bids from small firms. This means that 34 percent of federal purchasing is from the small business sector.

Ashton goes diamond hunting

Star Foreign Service

MELBOURNE — Canada's potential diamond riches are proving an irresistible attraction for Australia's biggest diamond miner, Ashton, which has signed up for its fourth major project in the country.

Ashton has just joined in a venture with the Canadian group, KWG Resources, to explore a large area in Ontario and Western Quebec at a cost of $1 million.

Ashton is already involved in three similar deals in Canada as well as a large scale project in Russia.

Help for black agents

Business Staff Star 27/7/93

The Institute of Estate Agents (Ieasa) is to launch a set of courses specifically to help black homeowners and agents protect themselves against some of the pitfalls possible in buying and selling property. 58

The programme has the backing of First National Bank, which has donated R15 000 towards it.

Ieasa president Colin Sidelsky says the courses were compiled after lengthy discussions with community organisations.

The programme will be run from the institute's head office in Johannesburg.

NBS evicts Blue Downs families

Staff Reporter

FIVE Blue Downs families were yesterday evicted from their houses and some of their property allegedly confiscated for non-payment of their bonds.

The evictions were carried out by the Natal Building Society (NBS) which had granted loans to the residents.

All evicted families have vowed to go back to their houses irrespective of consequences.

According to the families and witnesses, two big trucks of the messenger of the court, three police vans and a van belonging to a security company came in the rain around 8am and started ordering people from their houses.

Local ANC chairman and spokesman Mr Dan Fletcher said the evictions were an execution of a writ the NBS received from the Supreme Court two months ago, after the court ruled against the residents' request for an interdict to stop evictions.

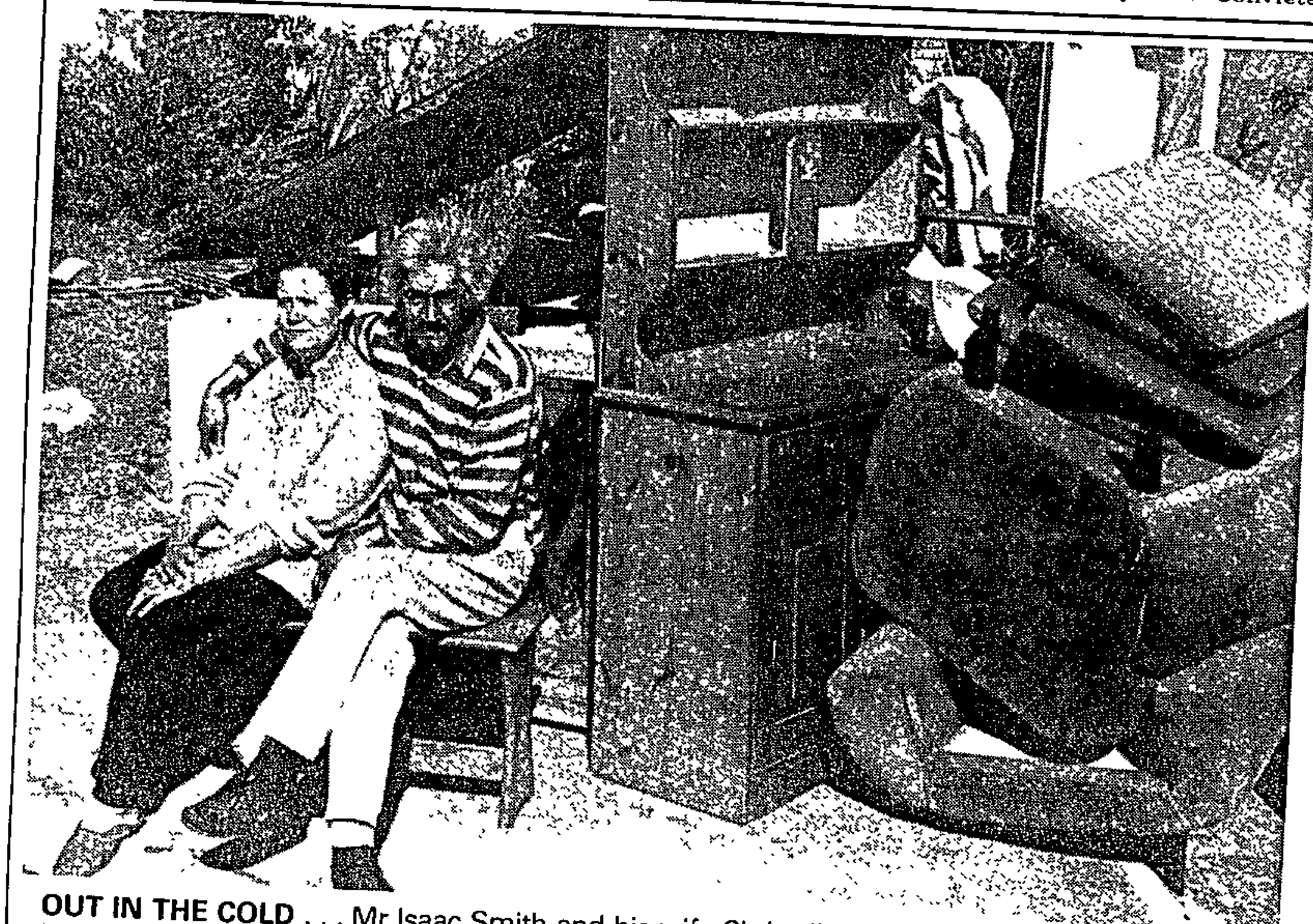
Following the court ruling, residents and the local civic organisation approached the NBS and managed to arrange for families to stay in their houses on a rent basis.

Mr Fletcher said the NBS had put pressure on residents to leave by demanding that they pay rent by the 15th instead of the end of the month.

Asked why bonds had not been repaid, he said repayments had jumped from the initial R650 to R1 100 within a year and people could not longer afford them.

An NBS manager yesterday confirmed the evictions but refused to comment.

CT 28/7/93 (58)



OUT IN THE COLD . . . Mr Isaac Smith and his wife Christelle sit outside their house with their belongings after being evicted for "non-payment" of their bond by NBS officials. Picture: HAROLD KING

Banks respond to Sanco allegations

58

From GRETA STEYN

JOHANNESBURG. — FNB and NBS yesterday responded to the SA National Civic Organisation (Sanco) singling them out for following "unacceptable" eviction procedures by inviting civics and homeowners to discuss problems.

Sanco on Monday named the two banks specifically as "abusing" the agreement reached between it and the Association of Mortgage Lenders (AML) to foreclose on homeowners on the East Rand and in Alexandra. Sanco president Moses Mayekiso said the actions of "NBS, FNB and others will be met with firm opposition".

CT 28/7/93

NBS home loans GM Trevor Olivier said the bank realised people were battling to meet their loan commitments and was working to arrive at "the least painful" process. He added, however, that it was an inescapable banking principle that money borrowed had to be repaid.

FNB spokesman Andre Latre said the bank remained committed to the agreement and was prepared to discuss cases where it stood accused of acting unjustly.

It is understood a seminar is scheduled for the end of next month to train community advisers, who will be responsible for helping people on all aspects of their bond payments. The banks have committed themselves only to financing the training of the advisers, but not to paying them for their work — a decision which triggered Sanco's action this week.

Blacks invited to buy shares

Sowetan 28/7/93

METROPOLITAN Investment Holdings has invited blacks to buy its shares.

The shares are selling at R1 each and the closing date of the offer is October 22.

"Economic power only comes from taking part in the economic decision-making process. In order to attain this power, we need to ensure that more blacks reach the higher echelons of the business world," said Methold chairman Dr Nthato Motlana.

The company was born out of a deal early this year in which six black businessmen bought 10 percent of one of the top five life assurance companies — Metropolitan Life. The deal involved R137 million, translating into about 6,8 million shares. If all the shares are sold, the company will be able to raise over R140 million, which would enable it to repay loan finance used to facilitate the transaction. The money was from the Industrial Development Corporation.

ABSA: 'Interest query levy applies only to consultants'

(S8) CT 28/7/93

By MAGGIE ROWLEY
Deputy Business Editor

CLIENTS who approached ABSA with bona fide queries on "over-recovery" of interest would not be subjected to the new R1 000 levy introduced by banks in the ABSA group, says Nallie Bosman, executive director of ABSA's commercial banks.

Bosman said yesterday that the large amounts ABSA was purported to owe clients according to some "interested consultants" had been "blown up out of all proportion."

Volkskas's estimated exposure as a result of such claims was, he said, about R5m which was a "drop in the ocean" when compared to ABSA's total profit of R716m

He said the "query levy" was aimed at the proliferation of external consultants acting on behalf of clients: "These consultants market their services aggressively and earn a fixed fee of up to R70 a month, which is not repayable, as well as in some cases more than 20% of any repayment should a claim be successful.

"That is why Volkskas is being inundated with hundreds of such claims which are totally unfounded. This is placing our staff under severe pressure and extra staff have to be appointed to handle many of these claims which eventually fail.

"Consequently Volkskas and Trust Bank, which is affected to a lesser degree, have decided to charge a fee of R1 000 before investigating any claim where a consultant is involved. This amount is refunded where the claim is fully or partly successful.

"Volkskas in no way wishes to restrict clients' bona fide claims but it cannot afford to handle hundreds of hit-or-miss claims. Processing these claims, which, contrary to consultants' claims have a very low success rate, will end up increasing the cost of bank charges in the long run."

Bosman said the former building societies in the group were unaffected as the interest rate charged was printed on the statements and since the acquisition of Bankorp last April and the formation of ABSA all statements had the applicable rate printed on them.

Disputes to date had centred around rates charged in the late 1980s when interest rates fluctuated wildly.

"Where the client needs external assistance, we have an arrangement with the auditors KPMG Aiken & Peat to assist the client for a fee of R250 a year or part thereof."

Evictions 'a last resort'

12#

THE NBS Bank said yesterday evicting tenants who failed to pay their rent was "a last resort"

NBS was reacting to reports on its eviction of four Blue Downs families on Monday. 58

A spokesman said all the homes were owned by the NBS, which had repurchased the houses following the non-payment of the bond instalments by the borrowers.

"Since repossession of the houses — some more than a year ago — only one payment of a nominal negotiated rental had been received ...

"The bank had no alternative but to remove the tenants."

CT 29/7/93

Black business rising

Sowetan 29/7/93

By Mzimkulu Malunga

AFTER massive campaigns during the last half of the eighties, black business appears to be finally flexing its muscles.

"The time for talking is over, this is the era of action. We are late already," says Don Mkhwanazi, one of the six black businessmen who bought ten percent of Metropolitan Life.

Though ten percent is a small piece of the cake, the deal involved millions of rands and millions of shares which are going to be issued to the blacks.

More importantly, Metropolitan Investment Holdings, the new company which was born out of the deal, has got into a voting pool with a majority shareholder which means that no major decisions can be made without the company's approval.

Development

Another interesting development was when a black-owned cosmetics manufacturing company, Black Like Me, sponsored one of the biggest boxing showdowns in South Africa's history in which a local lad, Dingaan Thobela, dethroned American Tony Lopez.

When an American company, Digital Equipment Corp, came to invest in South Africa, an enterprise in which blacks own a majority share was one of the two local companies awarded rights to process and sell DEC's products in this country.

Black companies involved in this deal were Thebe Investment Corporation and Vela International who hold 45 percent

NSB chief executive Mohale Mahanyele.

58

and 20 percent respectively in a computer company, Bhekisizwe Computer Systems.

Accompanying the likes of National Sorghum Breweries, Black Like Me, Methold, Letsema Investment Corporation, the Maponya Group, Future Bank and African Bank as well as Alex Hair, a number of black companies of a much smaller size are emerging at a very fast pace.

Black entrepreneurs are quietly invading the services and manufacturing industries.

There is also talk doing the rounds that insurance giant Southern Life wants to sell African Life to black business people. Informed sources suggest plans are at an advanced stage to facilitate this deal.

Unbundling

With unbundling becoming yet another feature in the changing business world, many in black business believe the sector could ride the wave into the mainstream of the economy.

"We need many more NSB's for the realisation of black economic empowerment in this country," says ANC head of economic affairs Trevor Manuel.

Many in the black community are keeping their fingers crossed that the major black companies, in which they have so much confidence, will sustain their current growth level.

People like NSB chief executive Mohale Mahanyele believe it is within their grasp. "When we took this company over, many said we would last only a month. A month later they said six months and when six months had elapsed they said a year — and three years on we are getting stronger," he says.

As far as Mahanyele is concerned, the whole issue of black business failure is a myth.

However, many in the black community are worried about whether technocrats in companies like NSB can successfully manage the pace at which the company is growing lest the engine overheats.

Nobody would want to imagine what an engine overheat in a multimillion entity like NSB would do to the ego of black business people.

Top govt names bandied in fraud trial

58

Own Correspondent

PORT ELIZABETH. — The names of former and current top government officials were heard in evidence in the Supreme Court here yesterday in the trial of alleged fraudsters Mr Johan Kritzinger and Mr Cornelius Mostert.

The state alleges the accused — who face 78 counts of fraud — stole about R800 000 in "administration fees" for loans totalling almost R80m.

Agricultural economist Mr Nico Botha said ex-finance minister Mr Barend du Plessis, former Reserve Bank vice-president Mr Jan Lombard and Reserve Bank governor Mr Chris Stals had been mentioned as connections by the accused.

Mr Botha, who paid R7 500 in "administration fees" to the accuseds' company Krizan Offshore Finance Corporation to secure loans for himself and his company Properboer, said Mr Mostert told him Mr Lombard was Mr Kritzinger's cousin, which meant they could get Reserve Bank approval to bring funds into the country.

Mr Botha said the loans totalling R350 000 did not materialise.

CT 29/7/93

He said Mr Mostert also told him Mr Barend du Plessis had asked Krizan to "bail out a bank" with its funds.

He said Mr Mostert claimed Mr Du Plessis and Mr Chris Stals often referred people needing loans to Krizan. The case continues today.

Eleven families face being ejected

58

CT 29/7/93

Supreme Court Reporter

ELEVEN Electric City, Blue Downs, residents are to be ejected from their homes following summary judgments obtained against them in the Supreme Court yesterday by NBS Bank.

Mr Michael Williams, the NBS's arrears department manager, said the residents had ignored notices to vacate the houses.

The residents did not have a bone fide defence to the action and notices to defend the actions were solely for the purposes of delay.

Mr Justice W E Cooper entered summary judgment against: Mr D Stoffels of Lourie Way, Mr W Arendse of Palmiet Street, a Mr Taylor of Stratford Avenue, a Mr Venter of Stratford Avenue, Mr D Coetzee of Spurwing Drive, Mr B Pieterse of Hadena Street, Mr J Jonkers of Spurwing Avenue, Mr J Juries of Hornbill Way, Mr M McKenzie of Spurwing Drive, Mr D October of Palmiet Street and Mr C Leibrandt of Spurwing Drive.

The residents must pay the court costs.

Money supply growth slows

(58) CT 29/7/93

Own Correspondent

JOHANNESBURG. — Growth in broad money supply continued to slow in the year to June, as subdued activity in the domestic economy kept a lid on private sector demand for credit, official figures show.

According to Reserve Bank figures released yesterday the annual growth in M3 — the broad measure of money that covers cash in circulation and all deposits at banks — eased to 3,95% in June from a revised 4,63% for the year to May.

Economists said the figures indicated the cost of credit was too high in the current depressed economic situation, and a cut in Bank rate was needed soon if the economy was to show any real growth this year.

But they also said that fragile reserves remained an obstacle to further cuts in official short-term interest rates.

Bank figures showed credit claims on the private sector remained fairly static in May at R408,47bn from R408,04bn in April, as credit extension growth shrank to 5,7% in the year to May from 5,9% in April.

Rand Merchant Bank economist Rudolf Gouws said falling demand for credit in real terms indicated just how severe the recession was.

"There is not even a 6% growth in total bank lending to the private sector for the year to May while inflation remains around 10%," he said.

From the base of the current guideline year — the fourth quarter of 1992 — growth was 0,13%, which was well below the 6% to 9% target growth range set by the Reserve Bank for 1993. At this rate there was unlikely to be any growth in money supply this year, he said.

Official interest rates needed to be lowered when reserve figures improved to offset the low growth in money supply.

He expected a cut in the official bank rate in the near future.

"We are not out of the woods yet as far as the reserves are concerned but we are pretty fast approaching that point where interest rates could be lowered".

He said this sentiment was also apparent in the financial markets which had been anticipating a cut in Bank rate over the past few weeks.

Small is beautiful — Boland

By ARI JACOBSON

SMALL in banking is not a bad thing, according to Boland Bank chairman Pietman Hugo speaking at the group's agm yesterday.

SOWET 20/7/93

Hugo said that size would not automatically mean success and that bigger banks would not always be better banks.

He pointed to the latest trend in the financial sector, towards community banking, which he described as indicative of niche banking.

Unbundling in the bank sector is "a principle that must be taken notice of," he said.

The group's independence looked threatened at last year's agm when large shareholders ABSA, Sanlam and Rembrandt colluded to prevent the bank increasing its share capital base.

However the problem has since been solved with Boland increasing voter representation and the bank has also loosened up on the appointment of directors.

"We are comfortable with our size — not wishing to be bigger or smaller," said Boland's economist Louis Fourie after the agm.

Boland, a general bank, focuses on small and medium sized companies as well as the farming community in the Western Cape.

Boland is currently trading at R8,50 a share, off its high for the year of R9,25 but well up on the low of R7,50 a share.

MARKET OVERVIEW

Rentals still in a bear squeeze

FM 30/7/93

Reports of a resurgence in letting activity over the past couple of months have come in from landlords and brokers around the country suggesting the commercial end of the property market might be poised for a recovery.

However, analysts say the activity in the second quarter indicates tenants are seeking to negotiate — or renegotiate — leases at favourable rates while rentals remain in a trough.

While some tenants may be negotiating from a position of strength, many simply have their backs to the wall because they either cannot meet their rents or are having to move to more secure locations.

For their part landlords, whose cash flows are under tremendous pressure as a result of the lower rentals being achieved on renewals and higher vacancies, are showing some willingness to meet tenants half way before their leases expire in order to keep them.

"It's a flat trough and any improvement is going to be gradual, not steep," says property economist Erwin Rode. "Most of all, any improvement in rentals is going to be hard-fought."

Rode's first quarter report, published in May, found office rentals were generally holding their own and that reported rent-free periods were lower. Demand was not yet strong enough, though, to make a serious dent in the accumulation of vacant space.

Prime CBD rentals generally fared better with nominal increases being reported for the CBDs of Johannesburg, Pretoria, Durban and Cape Town. Pretoria prime CBD rentals performed surprisingly well, holding firm, even in real terms, since the beginning of 1991.

Office vacancies, as in the last quarter of 1992, tended to be up slightly. Cape Town was the exception; the percentage of vacant space (grades A and B combined) was lower. This despite the fact that, percentage-wise, Cape Town CBD has the highest combined A- and B-grade vacancy factor in the country. Durban tops the A-grade vacancy category because of its off-core glut, while the Johannesburg CBD fares worst in the B-grade slot.

Office cap rates, an indication of investor confidence, showed no movement in Johannesburg, Durban and Cape Town in the first quarter, save for small downward shifts (a good sign) in some decentralised Johannesburg locations. In Pretoria, decentralised nodes saw an upward shift. Cap rates also rose in East London, Port Elizabeth and Bloemfontein.

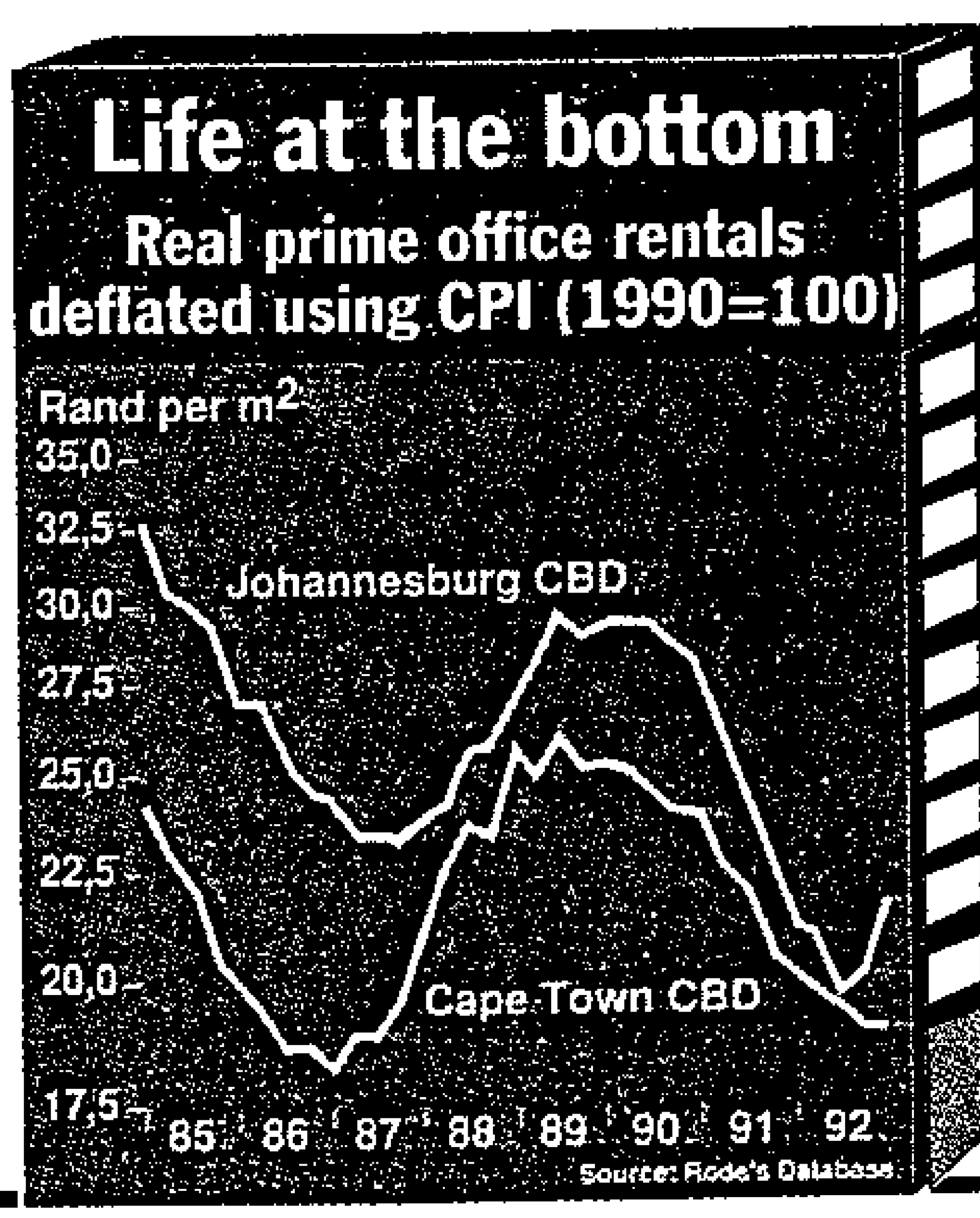
The performance of the industrial market was poor in most places, though rentals in the Cape Peninsula continued to show good growth. The trend was accompanied by a drop in average vacancy levels. Vacancies edged up in most other areas, particularly in townships close to perennial unrest areas. Vacancies in Bramley View and Kew, at around 20%, reached their highest level ever.

Besides the Cape Peninsula, the only other industrial rentals which bucked the prevailing negative nominal growth trend of 1992 were the much-punted 5 000 m² units in the Central Witwatersrand and Durban and, interestingly, rentals on all unit sizes in the Bloemfontein area. (58)

In general, Rode's findings revealed that retail rentals in the last quarter of 1992 and the first quarter of 1993 have not performed well in nominal and real terms. Two areas, though, that have shown growth in the first quarter are Pretoria and Port Elizabeth (measured in terms of year-on-year percentage increases) while Johannesburg, Cape Town and East London showed little movement. Durban and Bloemfontein showed negative growth.

Similarly, flat rentals for most unit sizes and in most areas have shifted little over the past year. Rentals in Durban showed the best, though very moderate, real growth over the four earlier quarters. More significant was the percentage rise in empty units, most noticeably on Cape Town's Atlantic seaboard.

The downrating of property unit trusts (Puts) by JSE investors continued unabated, even though Put dividend yields are still moving up. (Like any share, if the price goes up the yield will fall and vice versa). This is in contrast to financial and industrial shares where dividend yields have been moving sideways since the middle of 1991. The reason for the investor rejection of Puts is quite simply the poor dividend performance of these instruments, which, in turn, was the result of low market rental growth. Since no rental growth is yet in sight, it's likely to be some while before they are rerated. ■



SYNDICATIONS

Leading by example

The R19m syndication of Motorcity Centre in Strijdompark, Randburg, differs from others in a number of ways. The centre, by Integrated Investment Properties (IIP), opened last Friday.

The first difference is its claim of full disclosure — at a standard required for a JSE listing. It also claims to be the first to conform to requirements of the Public Property Syndication Association, which recently laid down a code of conduct for syndications covering minimum standards of disclosure, promotion and advertising.

The syndication is the eighth commercial property to be brought to the market in the past four years by joint promoters IIP and S&G Property Group, a property investment and consultancy company. IIP director Arnold Berns says IIP's R55m portfolio has a vacancy factor of less than 2%.

The 7 000 m² double-storey retail complex with 13 tenants was bought from listed Abcon Properties a few months ago. It is on a 9 000 m² site on Hans Strijdom Drive between Randburg's fast-growing northern residential suburbs and the Strijdompark light industrial area.

The vendor has guaranteed the first year's income but is so sure the centre will let because of the buoyancy in the motor repair and spares industry that it has undertaken to make good any shortfall in income for five years for five of the 13 tenants.

The tenants comprise an Automobile Association test centre, the Standard Bank, a Zenex petrol station, a fast food outlet and motor service outlets ranging from spares to tyre, windscreen and exhaust system suppliers. National chains such as Speedy Exhaust, Al Barnes Windscreens, Mr Safety Brake and Western Tyre are among them.

The offer comprises 18 480 combined units, each of R1 000 and comprising one ordinary share of one cent (issued at R1) and one unsecured debenture of R999. The minimum investment is R10 000.

Observers say income growth depends on how far below or above market rentals the present rentals are. If below, the forecast initial income return of 9,84% (an initial yield of 10%) has potential for growth.

As for IIP's projected first-year capital gain of 5,83%, they say, though this might

FM 30/7/93

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
(Registration number 57/02788/06)

LIBERTY HOLDINGS LIMITED
(Registration number 68/02095/06)

LIBLIFE STRATEGIC INVESTMENTS LIMITED
(Registration number 83/06300/06)

PROPOSED LISTING OF LIBLIFE STRATEGIC INVESTMENTS LIMITED ("LIBSIL") ON THE JOHANNESBURG STOCK EXCHANGE

Joint announcement regarding:

- **the proposed listing of approximately 560 million ordinary shares in Liblife Strategic Investments Limited ("Libsil") on The Johannesburg Stock Exchange,** 58
- **the proposed offer by Liberty Life Association of Africa Limited ("Liberty Life") to its shareholders of rights to 114,57 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 50 ordinary shares in Libsil for every 100 shares held in Liberty Life,**
- **the proposed renunciation by Liberty Holdings Limited ("Libhold") to its shareholders of its rights to 59,52 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 130 ordinary shares in Libsil for every 100 ordinary shares held in Libhold, and**
- **notice of last day to register for the offer of rights to shares in Libsil (6 August 1993).**

1. INTRODUCTION

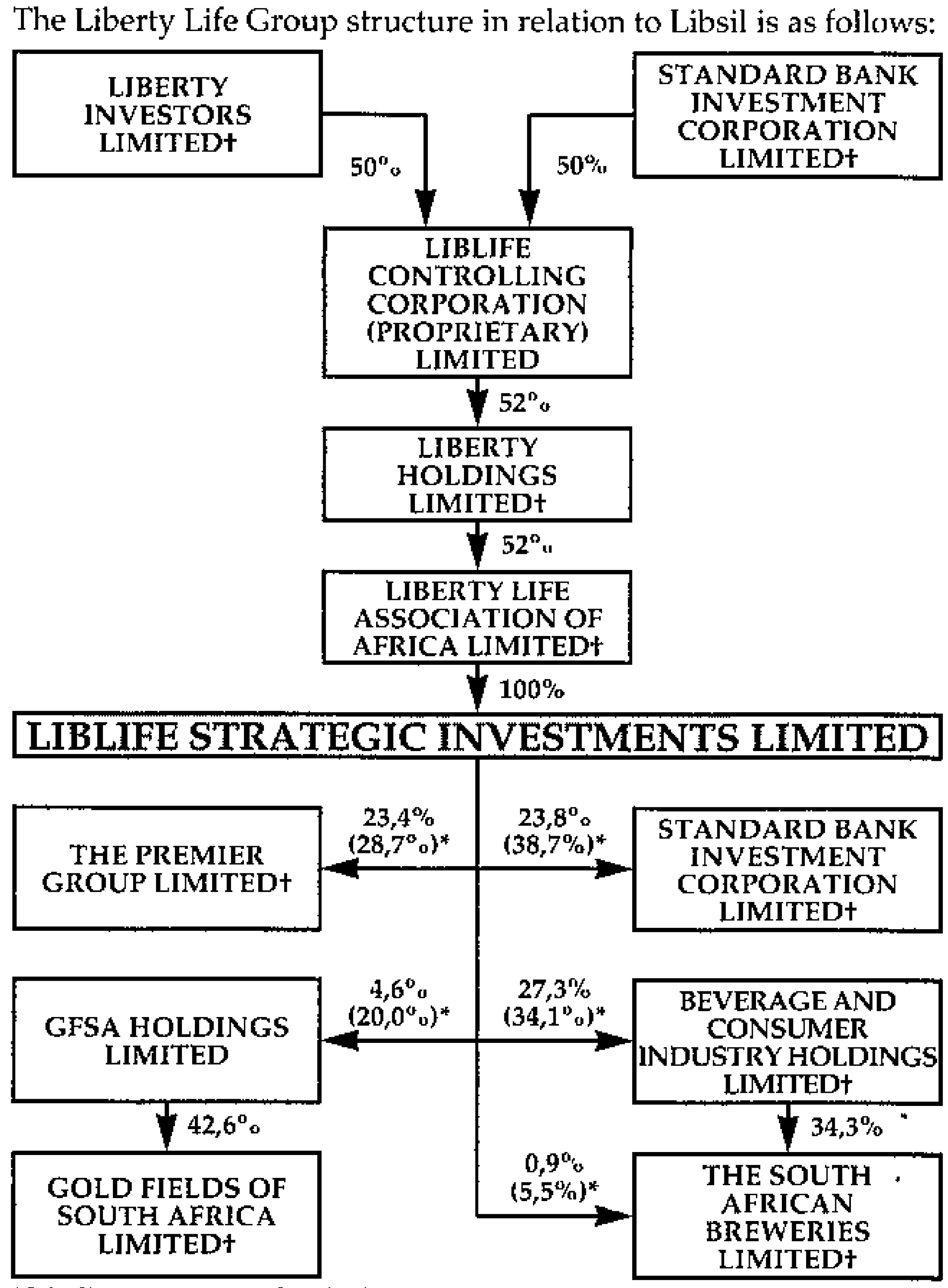
Libsil (formerly named The Liberty Life Investment Trust Limited) is a wholly-owned subsidiary of Liberty Life. It was incorporated in June 1983 for the purpose of holding, for the account of shareholders' funds of Liberty Life, part of the key strategic investments in leading South African industrial and financial companies which at the time of acquisition by Liberty Life were considered to be too large for prudent absorption within the policyholders' portfolios of Liberty Life. The market value of Libsil's underlying investments was approximately R5,6 billion as at 21 July 1993.

Liberty Life intends listing Libsil on The Johannesburg Stock Exchange ("the JSE") by offering to its shareholders the renounceable rights to 114,57 million Libsil shares ("the offer shares") in the ratio of 50 Libsil shares for every 100 Liberty Life shares held to raise approximately R1,03 billion for Liberty Life before expenses. These shares will be offered at a price of 900 cents per share calculated on the basis of a discount to Libsil's net asset value of around 10% at 21 July 1993.

In terms of the JSE regulations, Libhold, which owns 52% of the issued share capital of Liberty Life, will be renouncing to its shareholders its rights in respect of Liberty Life's offer in the ratio of 130 Libsil shares for every 100 Libhold shares held. The 30,97 million rights (equivalent to 27% of the offer) to which Liblife Controlling Corporation (Proprietary) Limited ("LCC") will be entitled in respect of its 52% interest in Libhold have been placed by Standard Merchant Bank Limited on behalf of LCC's shareholders by means of a private placement with selected institutional investors at a price of R10 per share, being 100 cents per right over the offer price, in aggregate approximately equivalent to Libsil's net asset value per share as at 21 July 1993. Standard Bank Investment Corporation Limited and Liberty Investors Limited have joint control of LCC, each owning 50% of its issued share capital.

2. THE LIBERTY LIFE GROUP STRUCTURE

The Liberty Life Group structure in relation to Libsil is as follows:



* Libsil's investments in Standard Bank Investment Corporation Limited, Beverage and Consumer Industry Holdings Limited, The South African Breweries Limited, The Premier Group Limited and GFSA Holdings Limited form the core of larger strategic holdings that The Liberty Life Group has in these companies

The aggregate Liberty Life Group shareholdings are shown in parentheses. The difference between such aggregate shareholdings and Libsil's holdings primarily represents the shareholdings held by the policyholders' portfolios of Liberty Life

†Listed on The Johannesburg Stock Exchange

Fm 30/7/93

3. PURPOSE AND OBJECTIVES OF THE PROPOSED OFFER AND LISTING AND RESULTANT CAPITAL

3.1 Purpose

(58)

Libsil's investments represent a major part of Liberty Life's strategic holdings in high quality South African financial and industrial counters which are held for the account of shareholders' funds but exclude strategic offshore investments of Liberty Life, notably TransAtlantic Holdings PLC. The exceptional performance of these investments has contributed to Liberty Life's superior performance over an extended period of time. Libsil was formed in order to facilitate the acquisition of these strategic investments which, when acquired, were too large for prudent absorption within the policyholders' portfolios of Liberty Life As a consequence, Liberty Life's shareholders' funds, together with additional finance raised, including issues of ordinary and preference share capital, provided the necessary funding for the acquisition of the balance of these important strategic holdings in excess of the levels regarded as prudent for policyholders at the time

The listing of Libsil provides the opportunity for shareholders in Liberty Life and Libhold and other investors to participate directly in this established portfolio of high quality strategic investments that have been built up by The Liberty Life Group over the last decade The proposed offer is significant by virtue of its size and the relative illiquidity and consequent lack of availability on the JSE of the underlying shares constituting Libsil's strategic investments

3.2 Objectives

The flotation of Libsil will, inter alia:

- enable shareholders of Liberty Life and Libhold and other investors, institutional and otherwise, to acquire direct exposure to the high quality portfolio constituting Liberty Life's strategic investments,
- de-gear The Liberty Life Group and balance its holding of major strategic investments;
- create flexibility with a view to expanding Libsil's portfolio of strategic investments in the future;
- achieve greater transparency of the nature of Liberty Life's strategic investments for the benefit of shareholders and investors on the JSE in the light of the potential new market in South Africa, particularly for international investors;
- enable Libsil to utilise its equity for further acquisitions of strategic shareholdings;
- facilitate the repayment of debt and the redemption of relatively expensive preference shares previously issued by Libsil;
- release funds for the further development of Liberty Life;
- enhance the earnings of Liberty Life in the future; and
- facilitate Liberty Life in protecting the capital value of its core investments by the use of derivative instruments and specialised securities, including options, futures and other appropriate methods, to hedge investment volatility and enhance the performance of Libsil's portfolio.

3.3 Structure of share capital

The authorised share capital of Libsil comprises 800 million ordinary shares of 1 cent each and 55 000 redeemable cumulative preference shares of R1 each. After the successful completion of the proposed offer, Liberty Life will hold approximately 80% of Libsil's issued ordinary share capital, which will consist of around 560 million ordinary shares. Libsil has total assets of almost R5,6 billion with a net asset value of about 1 000 cents per ordinary share as at 21 July 1993

4. NATURE OF BUSINESS OF LIBSIL

4.1 Nature of investments

Set out below is a summary of the underlying investments constituting Libsil's portfolio:

	Number of shares held	% of share capital	Market value (as at 21 July 1993) (Rm)	% of Libsil's portfolio
Standard Bank Investment Corporation Limited	28 303 298	23,8%	2 547,3	45,6%
Direct and indirect interest in The South African Breweries Limited			1 702,0	30,5%
Beverage and Consumer Industry Holdings Limited	19 360 000	27,3%	1 558,5	27,9%
The South African Breweries Limited	2 342 888	0,9%	143,5	2,6%
The Premier Group Limited	19 360 000	23,4%	997,0	17,9%
GFSA Holdings Limited	555 819	4,6%	217,3	3,9%
Other investments, derivatives, bank deposits and money market instruments*			117,5	2,1%
			5 581,1	100,0%

*Includes preference shares convertible into approximately 515 000 shares in Standard Bank Investment Corporation Limited

4.2 Strategic investments

The major investments of Libsil form the core of The Liberty Life Group's strategic equity investment holdings:

4.2.1 The Liberty Life Group owns in aggregate 38,7% of Standard Bank Investment Corporation Limited's ("SBIC") share capital, thereby constituting it as the largest shareholder in SBIC.

As part of The Liberty Life Group's aggregate holdings, Libsil's 23,8% interest in SBIC, having a market value of R2,5 billion based on a market price of 9 000 cents per share, constitutes Libsil as the largest and most significant shareholder in SBIC within The Liberty Life Group. SBIC is the holding company of The Standard Bank of South Africa Limited, the leading commercial bank in South Africa. The SBIC group's activities include commercial and merchant banking, leasing and financing activities, unit trust management, participation mortgage and housing finance, life insurance and non-life insurance broking, credit card facilities and trust company services. SBIC operates in the United Kingdom, Jersey, the Isle of Man and Taiwan and its representation in Africa was expanded in 1992 when it acquired the Africa banking arm of ANZ Grindlays bank.

SBIC also owns 50% of, and together with Liberty Investors Limited has joint control of LCC, the ultimate holding company of The Liberty Life Group The value of this investment, at the market value of SBIC's attributable interest in Libhold of 11,9 million shares was R2,06 billion as at 21 July 1993, equivalent to 19% of the market capitalisation of SBIC on the JSE at such date, implying an indirect interest attributable to Libsil of approximately R500 million in the equity of Libhold.

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4.2.2 The Liberty Life Group shares joint control of Beverage and Consumer Industry Holdings Limited ("Bevcon") pursuant to an agreement with Johannesburg Consolidated Investment Company, Limited ("JCI") and Anglo American Corporation of South Africa Limited ("Anglo American") Bevcon, in which The Liberty Life Group has a 34,1% interest, is the largest shareholder in The South African Breweries Limited ("SAB"), owning 34,3% of its issued ordinary share capital

Libsil's portion of The Liberty Life Group's interest in Bevcon amounts to a 27,3% holding in Bevcon having a market value of R1,6 billion based on a market price of 8 050 cents per share. SAB is South Africa's largest consumer-orientated group. Its major activity is the brewing of clear beer in which it dominates the South African market SAB also has significant interests in the manufacture and distribution of other beverages, in retailing and hotel operations and in the manufacture of selected mass market consumer goods, together with strategic investments in other businesses which complement its mainstream interests.

In addition, The Liberty Life Group also has a 5,5% direct holding in SAB, which includes Libsil's 0,9% direct interest in SAB, having a market value of R144 million based on a market price of 6 125 cents per share.

4.2.3 The Liberty Life Group has in aggregate a 28,7% shareholding in The Premier Group Limited ("Premier"). Similar joint control arrangements to those relating to Bevcon exist with Anglo American and JCI in respect of Premier. Libsil's 23,4% interest in Premier, having a market value of R997 million based on a market price of 5 150 cents per share enjoys the benefit of forming part of this larger strategic holding Premier is the holding company of one of South Africa's largest food and pharmaceutical manufacturers and distributors Premier's activities comprise the milling of maize and wheat, the manufacture and distribution of food products, edible oils and fats, marine products, animal feeds, pharmaceuticals and industrial chemicals, cotton ginning and the wholesale and retail distribution of groceries, toiletries and allied products.

4.2.4 The Liberty Life Group has a 20,0% interest in GFSA Holdings Limited ("GFSA Holdings"), an unlisted company which holds 42,6% of the issued share capital of Gold Fields of South Africa Limited ("GFSA") Libsil's portion of The Liberty Life Group's shareholding amounts to 4,6% of GFSA Holdings and has a value of R217 million based on the attributable underlying market value of GFSA at 10 500 cents per ordinary share GFSA is a leading South African mining finance house involved in the mining and processing of gold and other precious metals and minerals

4.3 Nature of joint control arrangements in respect of Bevcon and Premier

The joint control arrangements in respect of Bevcon and Premier include certain provisions which aim to ensure that, on a disposal by either The Liberty Life Group or The Anglo American/JCI Group of their joint controlling strategic shareholdings in such companies, such group receives a fair commercial price reflecting the significance of the joint controlling shareholding (viz 25,05% of the equity of each of Bevcon and Premier respectively dedicated by each group).

In essence: 58

- if either group intends to sell its shareholding in Bevcon or Premier, it must first offer it to the other group at a stipulated price,
- failing acceptance by the other group to acquire the shareholding at the stipulated price, the offeror shall be entitled, in turn, to offer to acquire the other group's shareholding at the stipulated price,
- the offeree must either accept that offer and sell its shareholding at the stipulated price or purchase the offeror's shareholding at that price.

The terms of the joint control arrangements provide that the price to be stipulated by the initiating group must be 25% over the market price, calculated over a specified period not exceeding six months. Libsil is a member of The Liberty Life Group for the purpose of the joint control arrangements

4.4 Strategic value of Libsil's portfolio

Although the value of the investments owned by Libsil, as set out in 4.1, is based on the market value of such holdings on the JSE, Libsil's net asset value does not reflect for this purpose the special value or strategic importance of such investments generally or in the light of the joint control arrangements described in 4.3.

4.5 Historical performance of Libsil's investments

Libsil's historical performance has been calculated on the basis that its portfolio as currently constituted has existed for the period 1 January 1990 to 21 July 1993.

Given the nature of the underlying investments of Libsil, its performance is best assessed relative to the JSE Actuaries Financial and Industrial Index For the period 1 January 1990 to 21 July 1993, Libsil's portfolio of equity investments has outperformed this index by 47%.

Over the same period, Libsil's compound capital growth rate based on the market value of its investments was 30% per annum, compared to the average inflation rate of 13,8% and the annual compound growth rate in the JSE Actuaries All Share Index of 9% for the same period.

4.6 Investment policy

It is the intention of Liberty Life to develop Libsil's investment portfolio where appropriate, through the organic growth of its existing investments, additional acquisitions of such investments and through further opportunities which might arise for it to participate in new strategic investments which are taken up by The Liberty Life Group as a whole on similar principles to those which have been and are now applicable, whereby the requirements of the policyholders of Liberty Life in appropriate circumstances are first satisfied

As in the past, it is the intention that Libsil will, when appropriate, continue to hold and acquire, together with other members of The Liberty Life Group, strategic interests in leading companies It is further the intention that Libsil will participate in the benefits of any special arrangements entered into by The Liberty Life Group in making strategic acquisitions.

The performance of long term South African investment portfolios is not immune to the effects of international and local volatility within the equity, property, and commodity markets. Liberty Life intends applying its expertise, where appropriate, in the use of derivative instruments, such as options, futures and other appropriate methods, to hedge investment risk and enhance the performance of Libsil's portfolio.

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(58) (2882)

4.7 **Management services**

Libsil's operating expenses are expected to be minimal as Liberty Life will continue to perform the management and investment function of Libsil and will not be charging a management fee for this service for so long as Libsil remains a subsidiary of Liberty Life

4.8 **Dividend policy and financial year end**

Libsil's dividend policy will be, in so far as it is practically possible, to distribute to its shareholders substantially all net income received after providing for operating expenses.

The financial year end of Libsil is 31 December and dividends will normally be declared by Libsil in March (final) and August (interim) each year payable in the succeeding April and October respectively following such declarations The first dividend payable by Libsil will be declared in March 1994, payable in April 1994, in respect of the period ending 31 December 1993 and will take into account all net income accruing to Libsil after 1 September 1993

5. **EXCESS APPLICATIONS**

In terms of the proposed offer, shareholders in Liberty Life and Libhold and/or their renouncees who take up their rights to purchase offer shares will be entitled to apply for an unlimited number of additional Libsil shares in excess of their rights entitlements at 1 000 cents per share, being the approximate net asset value per Libsil share at 21 July 1993. In effect, such additional shares applied for will be issued at a price per share which is 100 cents in excess of the offer price. Such applications will be satisfied to the extent that the offer is not taken up by shareholders of Liberty Life and Libhold or their renouncees

6. **APPLICATION FOR LISTING**

Application will be made to the JSE for a listing of the 114,57 million renounceable (nil paid) letters of allocation to be issued pursuant to the offer in the "Financial — Insurance" sector of the JSE lists and for a listing of Libsil's shares in the "Industrial — Industrial Holdings" sector of the JSE lists under the name "Libsil"

7. **NOTICE OF LAST DAY TO REGISTER**

The last day for shareholders of Liberty Life and Libhold to register as such in order to participate in the offer will be the close of business on Friday, 6 August 1993.

On behalf of

Liberty Life Association of Africa Limited

Liberty Holdings Limited

Liblife Strategic Investments Limited

Donald Gordon
Chairman

22 July 1993
Johannesburg

MERCHANT BANK

SMB
The Merchant Bankers
(Registration number 64/08586/06)

ATTORNEYS

South Africa

Edward Nathan & Friedland Inc.
(Registration number 77/00525/21)

United Kingdom

Linklaters & Paines

SPONSORING BROKERS

South Africa

Davis Borkum Hare & Co Inc.
(Registration number 72/09126/21)
(Member of The Johannesburg Stock Exchange)

United Kingdom

S. G. Warburg Securities Ltd.

TRANSFER SECRETARIES

South African Transfer Secretaries of Liberty Life, Libhold and Libsil

Central Registrars Limited
(Registration number 67/04220/06)
4th Floor, 154 Market Street, Johannesburg, 2001

United Kingdom Transfer Secretaries of Liberty Life

Barclays Registrars Limited
Bourne House, 34 Beckenham Road, Beckenham
Kent, BR3 4TU

INCE

P. T. O. →

Doing us some service

HIGH NOON IN SOUTHERN AFRICA: Making Peace in a Rough Neighborhood *by Chester A Crocker (Jonathan Ball, 530pp, R120).*

If Chester Crocker always seemed to be on our TV screens in the Eighties, it was because he was around a lot. He always came across as an articulate and pleasant man, certainly more intelligent than the average politician in any country. We sensed that he was playing an important role with the US policy of "constructive engagement" — which was really another way of saying that negotiating with a distasteful regime is better than not doing so.

His book, which he says "tells the story of peacemaking in Africa in the Eighties," shows just why he seemed so guarded. He had to be painstakingly careful not to offend any of the major players in the complicated net of aggression that was southern Africa It is a mark of his integrity that he has seen fit to be less discreet now that he is out of office — and his book is surely definitive, both as a record of events and as an elegant dissection of the leading personalities. Crocker is that rare animal: a top political player who also possesses the talent to write about his perceptions and experiences. The result is a dense but engrossing narrative, shot through with insights and asides that leaven the sometimes weighty diplomatic detail.

The end of SA's war in Angola and Namibia owed much to the collapse of the Soviet empire and the crumbling of socialism's moral authority. It has been argued that President F W de Klerk was thereby presented with an opportunity which was never afforded to P W Botha. But Crocker, while he acknowledges the force of historical currents, believes strongly that individuals make a difference in history. He himself has undoubtedly made a difference to our troubled region. The irony that it took an American to make things happen is matched by the irony that the only two intellectually substantial books on the conflict in Angola and Namibia have been written by an American and an Englishman — Crocker with this work and Fred Bridgland's *The War for Africa.*

On the face of it, Crocker had just about the most unenviable job in politics — but it is clear that he relished it, apart from occasional feelings of impatience and dispiritedness. As he says in his preface, "it is not every day that a 39-year-old academic gets a chance to apply his training and pursue his intellectual convictions in a government position tailored to his background. It is even less common for one to be given eight long years to see if he can realise his dream. Rarest of all is the story of an American public servant who was able to see a strategy through from conceptualisation and implementation to the actual realisation of the goal — in this case, a southern African peace settlement."

Crocker arrived at Ohio State University in 1959, vaguely interested in majoring in classics. "But several outstanding professors stirred a growing interest in modern European history. I became attracted to the study of imperialism and decolonisation and the process by which a global political system had emerged after 1945 .. an undergraduate honours thesis on early British Labour Party foreign and colonial policies immersed me in such questions as the Anglo-Boer War and the creation of the Union of South Africa . . . there was another reason emerging Africa claimed my attention in the Sixties — I met my future wife in graduate school just as she completed her BA at the University of Cape Town."

So this studious-looking American with a doctorate was not just some foreigner, not the latest in a line of politicians assigned by the US State Department to the relative backwater of southern Africa. His early chapters in this book demonstrate a grasp of our history and politics that must be virtually unmatched outside our own universities.

As for Crocker's own diplomatic skills, there is ample evidence of them in this book, roughly 80% of which is taken up with his detailed accounts — often hour-by-hour — of the painstaking peace process.

There is a potential problem with Crock-

Crocker

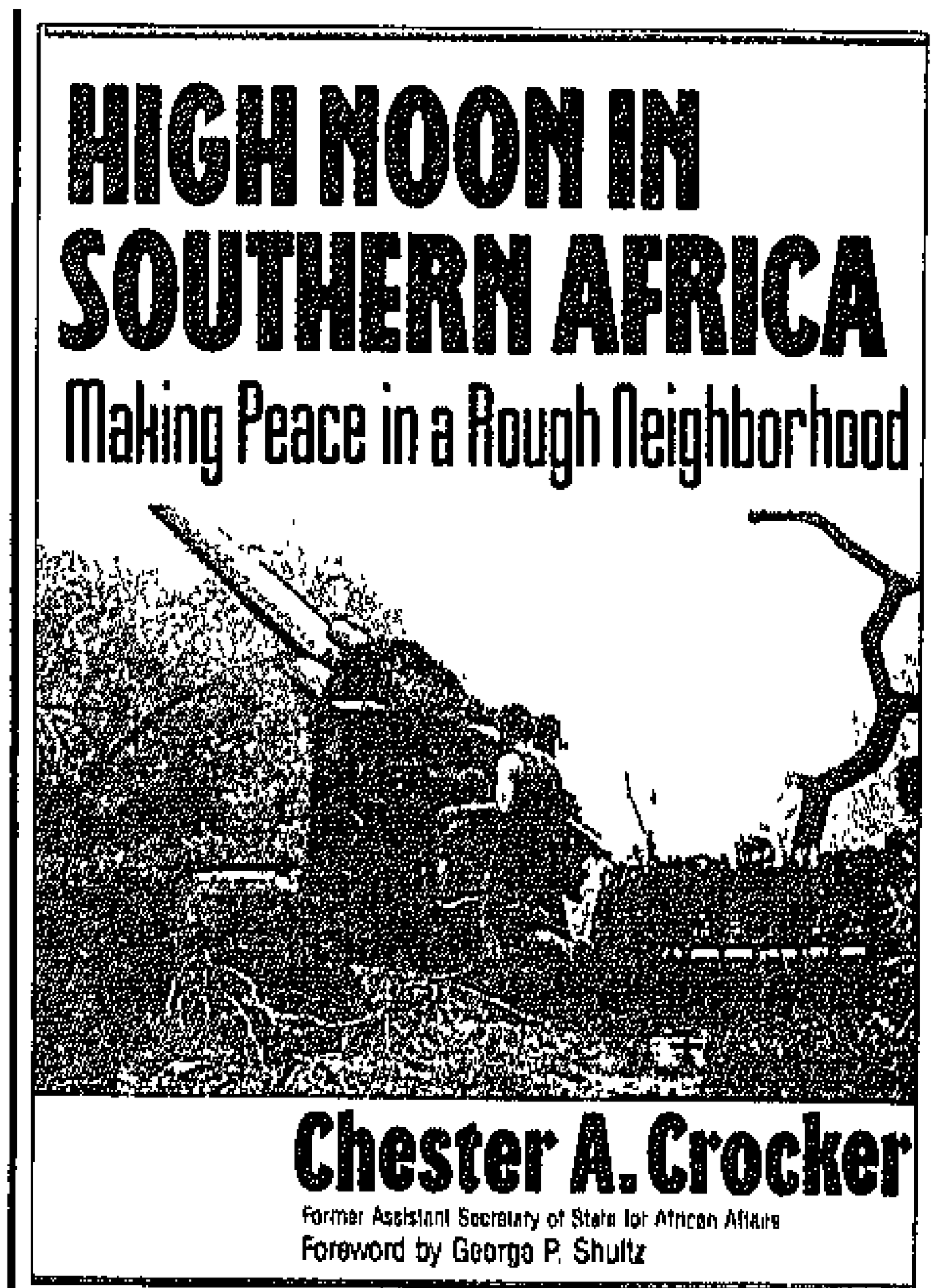
Geldenhuys

er's authorial approach: the intricacies of years of diplomacy are not necessarily as fascinating to everyone else as they are to him. He believes (with justification) that he achieved something important (indeed, one wonders whether he will ever again do work more interesting and fulfilling) and, therefore, he feels the need to set it all down. The danger is that the reader will become bored.

This does not happen, partly because of Crocker's natural ironic wit and partly because he insists on giving personalities — including his own — a prominent place. For instance, he recounts a conference held in Zambia through the good offices of Kenneth Kaunda:

"His people organised a series of interlocking rooms where smaller or larger exchanges could be held over tea and room-temperature soft drinks." That sentence was almost a non-event — but it is rescued and given atmosphere by the unobtrusive revelation that the Coke was warm.

Crocker can be scathing about individuals in the various negotiating teams. A typically



acerbic reference is found in a description of SA disunity at a conference on Cape Verde: "Like paint remover, the non-stop alcohol intake stripped away any veneer of Afrikaner solidarity. They disagreed about everything: Savimbi's prospects in Angola, the relative importance of the Angolan war for SA, the role being played by the US, the hopes for Namibia's internal parties, how to handle growing black unrest at home . . ." Willie van Niekerk, Administrator-General of South West Africa in the mid-Eighties, is described as "a hardline gynaecologist-politician whose dream was to abort Namibia."

On the other hand, Crocker makes it clear he was impressed by men like Foreign Affairs' Neil van Heerden and the shrewd and thoughtful General Jannie Geldenhuys, "who had the disconcerting habit of doing crossword puzzles or falling asleep during Pik Botha's windier monologues." And a memorable portrait emerges of Pik himself, who was evidently a source of fascination for the Americans and whose larger-than-life personality is perhaps the only one to escape neat categorisation.

Some South Africans might also be surprised at the contribution of Secretary of State George Schultz, the brilliant powerhouse of foreign policy at the Reagan court in those days. Says Crocker in tribute: "I would not have been able to sustain American policy in Africa without the leadership and unwavering support of George Schultz . . . he created and sustained the running room that I and others required to do our jobs. He knew about motivation and downward loyalty; he knew how to lead, while delegating."

Do we have men like Chester Crocker and George Schultz? *David Williams*

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NDH BANK LIMITED

Registered Bank

Registration number 60/03893/06

FINAL REPORT FOR THE YEAR ENDED 30 JUNE 1993

The audited results for the year ended 30 June 1993 are as follows

	Audited year ended 30 June 1993 R000	Audited year ended 30 June 1992 R000
BALANCE SHEET		
Capital employed		
Shareholders' funds	23 683	20 634
Contingency provisions	4 220	3 500
Deposits	1 144 461	1 949 323
Current liabilities	6 337	12 417
	1 178 701	1 985 874
Employment of capital		
Fixed assets	5 155	3 239
Investments and loans	1 171 619	1 978 181
Current assets	1 927	4 454
	1 178 701	1 985 874
INCOME STATEMENT		
Net income after providing for taxation and contingency provisions transfer	4 821	3 850
Number of shares in issue	1 648 667	1 236 500
Return on average shareholders' funds – %	21,8	19,6

COMMENTS

Due to recent changes in the Banks Act, margins on certain assets were negatively affected which resulted in the bank reducing the size of its balance sheet.

The contingency provision represents internal reserves and is not a provision for known liabilities.

By order of the board

C L Clucas
Joint managing director

M G Kotze
Joint managing director

Johannesburg

22 July 1993

Registered office
1st Floor
Sechold House
15 Loveday Street
Johannesburg, 2001

DISTRICT SECURITIES BANK LIMITED

Registered Bank

Registration number 04/00030/06

FINAL REPORT FOR THE YEAR ENDED 30 JUNE 1993

The audited results for the year ended 30 June 1993 are as follows.

Capital increased to R30 million.

	Audited year ended 30 June 1993 R000	Audited year ended 30 June 1992 R000
BALANCE SHEET		
Capital employed		
Total shareholders' funds	20 459	12 759
Contingency provisions	1 752	1 102
Deposits and other accounts	1 302 345	1 195 837
	1 324 556	1 209 698
Employment of capital		
Investments	616 867	836 462
Advances and other accounts	707 043	372 465
Fixed assets	646	771
	1 324 556	1 209 698
INCOME STATEMENT		
Increase in net income – %	54,2	73,4
Net income after providing for taxation and contingency provisions transfers	2 700	1 750
Shares		
Return on average shareholders' funds – %	19,1	14,7
Number of shares in issue	1 200 000	1 100 000

COMMENTS

1. Redeemable cumulative non-participating preference shares of R10 000 000 were issued on 15 July 1993.
2. After the issue of these shares, the increase in shareholders' funds was 138,7%.

By order of the board

C N Louw
Chief executive officer

Cape Town
22 July 1993

Registered office
7th Floor
Southern Life Centre
8 Riebeeck Street
Cape Town, 8001

Penrose Financial 19285

F T C

Fm 30/7/93

ping the earnings record consistent

Acti. *SA's fourth largest life assurer.*
Contro.. *Anglo American 40,0%; First National Bank 29,2%.*
Chairman: *T N Chapman; MD: J R Calitz.*
Capital structure: *168,7m ords. Market capitalisation: R3,97bn.*
Share market: *Price: 2 350c. Yields: 3,3% on dividend; 4,9% on earnings; p:e ratio, 20,2; cover, 1,5. 12-month high, 2 850c; low, 1 875c. Trading volume last quarter, 418 000 shares.*

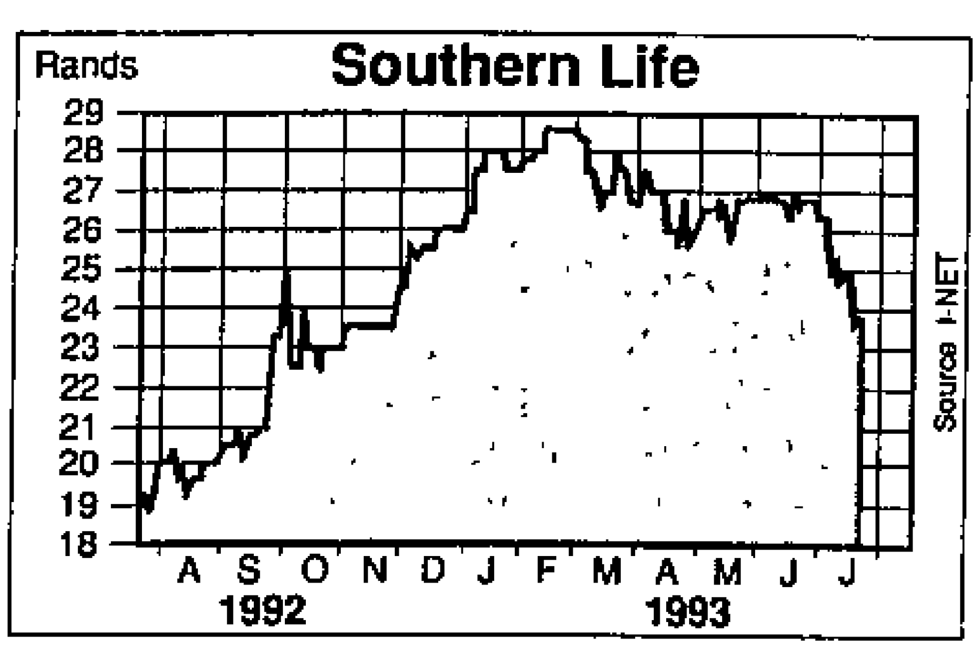
Year to March 31	'90	'91	'92	'93
Total assets (Rm)	14,0	14,9	17,7	19,2
Premium income (Rm)	1 596	1 853	1 998	2 613
Investment inc (Rm)	879	940	1 075	1 091
Taxed profit (Rm)	115,2	138,2	164,5	196,2
Earnings (c)	68,3	81,9	97,5	116,3
Dividends (c)	45,5	54,5	65,0	77,5

For the third successive year, Southern Life has lifted net tax surplus by 19% or slightly more. It again raises the question: is this figure pre-determined by management? Whatever the reason for this consistent growth, 1993 was in most respects a good year for Southern.

The exception was investment income, which grew by a paltry 1,4%. But premium income, reflecting the success of Southern's marketing policies and the acceptance of its products, rose by 30,8% to R2,6bn.

Single premium categories showed the largest gains. In aggregate, they rose by 92% and accounted for 32% (1992: 22%) of total premium income. Premiums on employee benefits and group life policies jumped 157% to R387m, while those on individual life policies climbed 58% to R441m. Recurring premiums rose a more modest 13,9% to R1,8bn. Individual life policies contributed premiums of R912m and employee benefits and group life, R874m.

The marginal growth in investment revenue, which excludes capital appreciation on investments as this is transferred directly to the life fund, can be ascribed to two factors. Firstly, equity dividends and property rental income remained almost static. Secondly, money market call deposit rates declined significantly. A dynamic investment performance could not be expected in these circumstances.



Southern Life chairman Neal Chapman
. . . another good year

However, Southern's investment returns, judged solely on pension fund management statistics, have for some time lagged the average of its competitors, and this continued in the 1993 year. According to an authoritative source, the average pension fund manager earned 8,13% over the period while Southern earned 6,76% on its pension funds.

The same source tells me Southern's investment strategy has been changed to overcome this. Evidently some success is being achieved. The Southern High Opportuniy Portfolio and the Southern Equity unity trust were both ranked in the top quarter of unit trust performances over the period.

Two changes in the balance sheet attract attention: investment in government and other public sector stocks rose by two-thirds (slightly more than R1bn) to R2,8bn, while equity investments dropped by 1,3% to R10bn; and current liabilities exceed current assets, despite a 24% increase in accounts receivable, outstanding premiums and accrued income.

Main reason for this is the reduction in cash, from R118m to R51m. MD Jan Calitz says the negative current ratio is of little significance because all surplus funds are invested in funds on deposit, reflected under investments — the negative current ratio does not reflect on Southern's liquidity.

Management is pleased with the 20,5% (1992: 10%) rise in total income to R3,7bn and the 15,9% (1992: 25,5%) rise in total outgoings to R555m, because marketing and administration expenses — which rose 23% in 1992 — increased only 12,7%. Had the tax charge not jumped 62%, the outgo ratio would have been even better.

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With the amount available for policyholder benefits and reserves up 21,4% at R3,1bn, some R2bn was paid to policyholders and R927m was transferred to reserves. This left a taxed surplus attributable to shareholders of R196m, up 19,2%.

Over the past four years there has been no apparent logical pattern in the amount transferred to life funds. It is tempting to conclude the amount declared as the attributable taxed surplus has been required to rise by around 19% — the board decides what growth will be acceptable to the market, then it calculates attributable profit accordingly, the balance being transferred to life funds.

No matter how it is derived, though, from a shareholder's viewpoint, this is a solid, consistent and real return. The share continues to justify a high market rating.

Gerald Hirshon

M-NET

Waiting for returns

Activities: *Subscription television services and marketing of entertainment and information.*
Control: *M-Net Holdings 60%.*
Chairman: *T Vosloo; MD: J Bekker.*
Capital structure: *196,7m ords. Market capitalisation: R1,16bn.*
Share market: *Price: 590c. Yields: 1,4% on dividend; 2,4% on earnings; p:e ratio, 41; cover, 1,8. 12-month high, 700c; low, 445c. Trading volume last quarter, 1,6m shares.*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	14,1	27,3	35,3	62,6
LT debt (Rm)	39,6	45,3	48,4	48,2
Debt:equity ratio ...	7,9	1,1	0,26	0,35
Shareholders' interest	0,03	0,12	0,5	0,45
Int & leasing cover .	3,1	10,2	9,7	11,5
Return on cap (%) ..	13,4	17,7	11,8	16,4
Turnover (Rm)	324	426	606	728
Pre-int profit (Rm) ...	29,1	51,1	70,0	116,2
Pre-int margin (%) .	8,9	11,9	11,5	15,9
Earnings (c)	11,2	22,3	17,4	14,4
Dividends (c)	3,8	7,0	7,0	8,0
Tangible NAV (c)	5,1	23,3	151,1	161,1

How long do investors have to wait to reap the rewards of M-Net's heavy investment programme? EPS fell in 1993 from 17,4c to 14,4c, but the operating performance remained strong.

Turnover was up by a fifth and operating margins strengthened from 11,6% to 14,9% owing to cost efficiencies and further growth in the SA subscriber base. Says financial director Steve Pacak: "The SA subscriber base topped 800 000 about two weeks ago; it continues to surprise us."

The weak link is equity-accounted Film-

INVESTING IN CHILDREN

Dr Nthato Motlana ... chairman of Metropolitan Life.

Taking care of education

Sowetan 30/7/93

By Joe Mdhlela

■ MANY OPTIONS Investment package will provide for needs of kids:

58

As a service to the community, Metropolitan Life has introduced an investment package that will take care of the educational needs of children right into the next century.

The investment is called Future Builder — The Gift of a Lifetime.

The package is flexible and could be used for helping with children's education. Alternatively the scheme could be used to get them started in any business venture.

"Whichever way you look at it, Future Builder is one way of ensuring your child gets a good start in life," senior manager of Metropolitan Life Mr Martin Ries said.

He said the company's actuaries had projected that if tuition fees continued to increase at a rate of 15 percent a year, a three-year university degree such as BA or B Com would cost R19 425.

By 2010 the tuition cost would escalate to a staggering R78 584.

He said without finance a child could lose out on higher education.

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To make sure that the investment keeps pace with inflation, investors can elect to increase contributions by any amount of their choice on an annual basis.

VS

Investing in children

Chairman of Future Bank Jabu Mabuza and the company MD Mr Neville Watchurst.

Investing for a better tomorrow

Sowetan 30/7/93

By Joe Mdhlela

INVESTING money is one way of ensuring that the individual's financial objectives are met, public relations officer of Future Bank Mrs Lindi Kubeka said.

Investing is creating future resources for investors wishing to increase the value of their money or assets.

In order to meet the requirements of their clients, Future Bank has devised products they believe will satisfy these needs.

(58)

Some of the products on offer include Futureprotector, Futuregrow, Futurecash and Futureflex.

Futureprotector: This is a fixed deposit scheme that allows the series investor a guaranteed return on his investment after a chosen period of time. Unlike an investment on the stock exchange, for instance, Futureprotector is not affected by poor business cycles, recessions or movements in interest rates.

Futuregrow: Futuregrow refers to unit trusts, especially tailored for investors who take a long-term view of the positive prospects of a new society. Using the well established Guardbank Unit Trust, Futuregrow offers special advantages. The investors' funds are invested in the historically best performing companies on the Johannesburg Stock Exchange. In this way risks are minimised. Minimum investment is R300 or R30 a month

Futurecash. This account is easily accessible to the investors. The common name used for this account is "call account". The funds are often made available within 24 hours.

Futureflex: This scheme is designed to provide the investor with excellent returns. All you require is 32 days notice to the bank before gaining access to your investments.

Mr Selwyn Feldman ... manager of Old Mutual Unit Trusts.

A fu

By Joe Mdhlela

OLD MUTUAL is c
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protecting their
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spokesman Jane

In the creation of wealth,
tant decisions to be taken was
and wellbeing of children.

"At Old Mutual our Flexi
up to these demands," Worth

The plan, she said, would
dren's educational requir

"Job opportunities come to

David Modima, his son Nkoma, and classmates

P.T.O 7

Investing in children

...re for the children

Sowetan 30/7/93

JOB SEARCH Old Mutual helps parents to make plans for educational requirements:

(58)

...ted to helping in... at the same time ... against un...ities, company ...thington said.

...of the most impor... for the security

...tion Plan can face ...on said.

... ensure that chil... were taken care of.

...se who have the right qualifications.

"Because the struggle to find work will be even fiercer, it will increasingly become important that parents consider FlexiEducation Plan as an option to secure their children's future," she said.

Some of the features of the FlexiPlan Education include the Old Mutual's FlexiDowment and unit trusts.

This combination could be mixed to suit the individual's requirements. She said unit trusts could provide liquidity if that was what the investor wanted. Added to that, the plan has collateral security which serves as a means to secure loans for students. The plan has "inflation proofing" to ensure that premiums are maximised on a yearly basis.

Mr Arnold Shapiro ... Portfolio manager of Old Mutual Growth Fund

BUSINESS Tembisa-based manufacturer started company called Home Care Products

He never said die after firm folded

Sowetan 30/7/93

■ BURNING DESIRE Even before he was retrenched he had decided to create a job for himself:

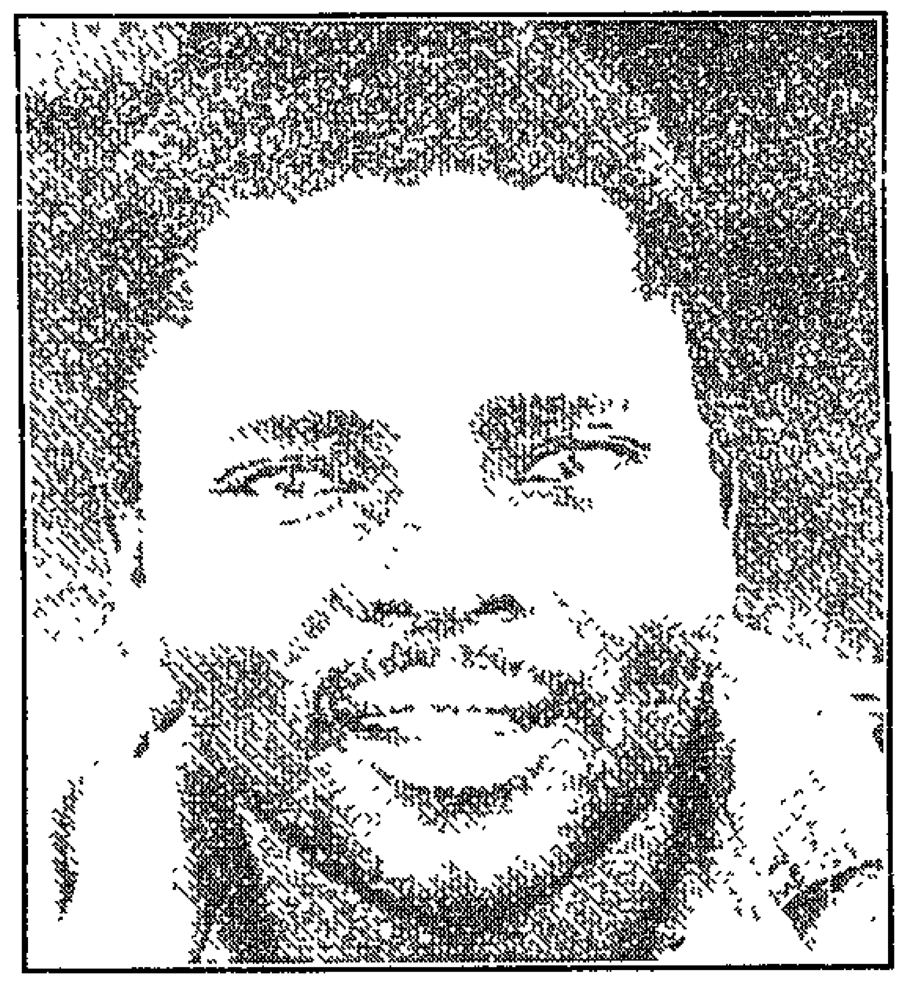
176

153A

183

By Mzimkulu Malunga

"I decided not to go and look for a job but create one myself"



Elijah Mjwana

When Elijah Mjwana was thrown into the streets in 1991 after the company he was working for went bust, he never said die. "It was tough. But because I had this burning desire to start my own business even before I was retrenched, I decided not to go and look for a job but create one myself," says Mjwana.

The Tembisa based manufacturer then started a company called Home Care Products that produces carpet shampoo, bath foam and hair care chemicals.

He sources his raw materials from chemical companies on the East Rand and making the products is very basic. The manufacturing process is manual from start to finish.

Home Care Products employs three people.

The Eastern Transvaal town of Witbank provides the bulk of the clients in addition to an East Rand based wholesaler who specialises in chemicals.

School clients

Schools in the semi-rural areas of the Eastern Transvaal are also Mjwana's clients though they do not pay regularly.

"At some stage I wanted to start marketing myself in areas around Tembisa and the East Rand ... after placing an advert in the local paper and receiving very little response, I decide to change my strategy and target outside areas," he says.

However, packaging remains his main problem. As of now Mjwana is battling with labels and what brand names to call his products.

"I never knew that just placing a label on ... the container of bath foam was so expensive ... sure that people tend to attracted by the packaging rather than what is in the container itself," said Mjwana.

Elijah Mjwana qualifies for the *Sowetan*-Sanlam Entrepreneur of the Month competition.

Monthly victors will compete with each other until the end of the year when an overall winner will be chosen.

Entrepreneur of the month

EACH week the *Sowetan* features an entrepreneur who automatically qualifies for the *Sowetan*-Sanlam Entrepreneur of the Month competition.

Monthly winners go through to the final contest of the competition and the overall winner receives R15 000 while the runner-up gets R5 000.

This year more emphasis will be placed on entrepreneurs in the manufacturing industry but other business categories — except retail enterprises — are also eligible.

If you want to enter for the competition or nominate someone else, contact Mzimkulu Malunga at (011) 474-0128.

METROPOLITAN LIFE

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FUND NAME	BUY	SELL	YIELD
ABSA GE	148,83	139,22	5,19
Industrial	130,84	122,39	1,13
Income	101 30	99,93	na
BOE Growth	166,45	155,51	2,77
People's Income	100,51	99,45	na
Community Growth Fund	110,56	104,47	11,21
COMMERCIAL UNION Growth	127,46	119,01	3,49
FEDLIFE: Fedgro GE	134,71	125,77	4,47
GUARDBANK Growth	2721,63	2531,27	4,40
Resources	173,51	161,00	4,56
Industrial	131 99	123,65	4,89
Income	118,71	117,46	13,08
IGI Life GE	137,39	128,50	3,16
METBOARD Metfund GE	211,28	198,53	3,59
Income	110,38	109,22	12,39
METROPOLITAN Metlife GE	124,20	116,07	6,03
MOMENTUM GE	267,80	251 04	3,68
NBS Hallmark	977,82	913,13	4,33
NORWICH GE	409 66	382,57	3,17
OLD MUTUAL Investors	2829,73	2635,89	3,65
Growth	239,81	223,43	na
Top Companies	259,76	241,89	3,60
Industrial	372,52	346,49	3,53
Mining	309,28	288,02	3,10
Gold	177,85	165,63	2,86
Income	110,20	109,01	13,12
SAGE GE	2531,78	2361,06	3,55
Resources	126,92	118,36	4,22
SANLAM GE	1672,76	1565,39	3,33
Index	1296,18	1213,25	3,98
Prime Growth	469,53	439,45	4,78
Industrial	1027 48	962,09	3,71
Mining	293,86	274,88	4,55
Income	102,38	100,80	na
SOUTHERN GE	217,97	203,94	3,72
Mining	144,19	135,21	3,76
Pure	122,68	114,81	na
Income	551,21	540,19	na
STANDARD BANK GE	1224,66	1151,05	5,77
Income	93,24	92,28	11,68
Gold	241,71	226,57	3,58
Industrial	107,95	101,67	8,48
International	110,25	103,06	4,52
SYFRETS Growth	306,96	287,37	4,45
Trustee	123,08	115,23	4,12
Income	109,25	108,16	12,77
Gilt	1107,32	1096,25	12,01
UAL GE	2215,73	2080,52	5,05
Mining	386,58	361,49	3,61
Selected	1976,57	1848,74	3,48
Gilt	1231,86	1219,55	12,53
Managed	1119,33	1954,34	1,24

INVESTING IN CHILDREN

Taking care of education

Sowetan 30/7/93

Nthato Motlana ... chairman of Metropolitan Life.

By Joe Mdhlela

MANY OPTIONS Investment package will provide for needs of kids:

(58)

AS A SERVICE to the community, Metropolitan Life has introduced an investment package that will take care of the educational needs of children right into the next century.

The investment is called Future Builder — The Gift of a Lifetime.

The package is flexible and could be used for helping with children's education. Alternatively the scheme could be used to get them started in any business venture.

"Whichever way you look at it, Future Builder is one way of ensuring your child gets a good start in life," senior manager of Metropolitan Life Mr Martin Ries said

He said the company's actuaries had projected that if tuition fees continued to increase at a rate of 15 percent a year, a three-year university degree such as BA or B Com would cost R19 425.

By 2010 the tuition cost would escalate to a staggering R78 584.

He said without finance a child could lose out on higher education.

He suggested parents should start investing now in order to ensure that their children get tertiary education

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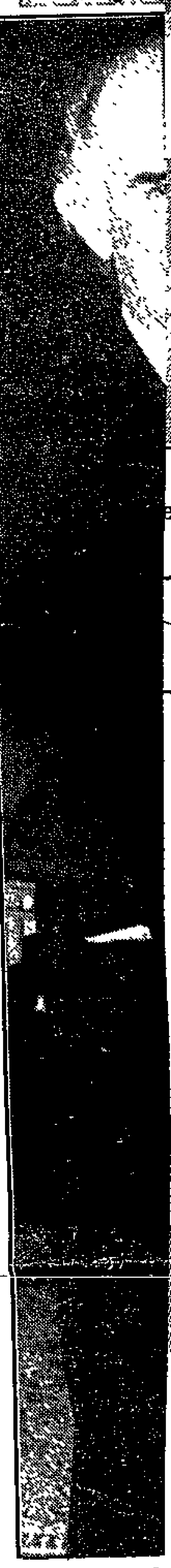

Chairman of Watchurst.

In a to

By Joe M

INVESTING ing that the i tives are met Future Bank

Investing for investors of their mon

In order t their clients. products the needs.

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Futurepro scheme that guaranteed i chosen pe ment on the Futureprote

BOE lowers mortgage rate

TOM HOOD, Business Editor

AN all-round cut in home-loan rates was signalled today when The Board of Executors announced a drop in mortgage rates from 14,5 to 14 percent from September 1.

Cuts in rates have been expected to follow a steady drop in inflation this year.

The BOE, one of the smallest providers of mortgages, is often the first to lower bond rates. (58) (193)

In the past, banks and building societies have followed within a week. ARG 30/7/93

The BOE is already charging the lowest rate in the market, although its minimum bond is R250 000 and loans are made only on properties worth more than R500 000.

ESS P 14 RACING P 15

Fm 30/7/93 FOX

SECHOLD Fm 30/7/93

Faith pays off

Until now, making an investment in this banking group has been a bold act of faith. Preliminary figures for the year to June reveal that, for those who had the courage, it was a rewarding decision.

Under endless criticism for poor disclosure, management has gone to great lengths to improve the quality of information and reveal the sources of the 21,6% gain in EPS.

Despite an eighth successive year of increased profitability, Sechold wasn't immune to tough trading conditions. Deposits fell R1,5bn (19%), reflected in a 30,4% dip in operating income to R995m on turnover of about R15bn. The impact on the bottom line was negated by chopping operating expenditure by a larger 32,7%. Net operating income rose almost 14% to R80,7m.

MD Arthur Kelly attributes shifts in the asset mix to a change in the Banks Act, which eased capital and liquid asset requirements. "This enabled us to scale down the balance sheet and confine ourselves to the most profitable deals." (58)

The charge for "bad and doubtful debts" rose sixfold to R4,1m following a move into home loans by two group DTIs, Secfin and District Securities Bank (DSB). Total profits from home loans were allocated to the bad debt provision, another example of management's unusual prudence. "This will continue until the provision is 2%-3% of the home loan book," says Kelly.

TELLING IT ALL

Year to June 30	1992	1993
Operating income (Rm)	1 431	996
Attributable (Rm)	17,5	21,2
Earnings (c)	74	90
Dividends (c)	30	33

Management believes the optimal size of the home loan book — now R300m — is about R1bn, dictated by the systems and infrastructure in place. Kelly says a larger book would tighten margins.

Securities Investment Bank, largest contributor to profits, reported 25,1% higher net income after tax and contingency provision. Net profit was R5,4m. A special dividend of R4m was paid and capital rose by R8,1m.

Secfin also lifted its contribution by 25% to R5,1m after provisions. Disruption at NDH in November from a change in management was short-lived. Kelly notes that the profit gain came in the six months after the wholesale desertion of NDH's original team. Income after tax rose 25% to R4,8m.

But the best performer is DSB, whose attributable income rose 54% to R2,7m. Last year, Sechold and DSB management injected R5m equity. Sechold invested a further R10m this month in preference shares. Kelly believes the enhanced capital base of R30m will help expansion into new activities.

"Other income" casually includes R6,1m, from Securities Portfolio Managers, where funds managed topped R1bn.

Since June 30 Sechold has acquired 50% of the new financial securities company Theta Securities, formed by the former UAL project team. "Cross-fertilisation of ideas will strengthen the relationship and aid Theta's profitability." (58)

The share is not cheap, yet remains sought after — little wonder considering return on average shareholders' funds (the business is not asset-driven) has remained at 31% for three years. Industry average is about 20%.

Over the past five years Sechold has grown consistently. EPS have improved by a compound annual 21%. Analysts are confident management will continue to achieve similar growth, though, with a target of three times cover (now 2,7), dividends are unlikely to track EPS. The counter's sole disadvantage is limited tradeability.

Marylou Greig

SECHOLD FM 30/7/93

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Marylou Greig

LIFE ASSURANCE

fm 30/7/93

Limiting access

Some life assurers are still eager to compete in banking territory, despite efforts by banks, life offices — and the official regulators — to separate the two industries.

An example is the type of endowment policy, sold by a few assurers, which complies with the law by running for a minimum of five years but is promoted as a versatile instrument allowing for multiple withdrawals or part-surrenders after the first year. That is about as close to banking as makes little difference and it is possible the Finance Minister will refuse to condone the practice.

Some assurers argue that single premium policies should not have the multiple withdrawal facility but that it should be allowed for recurring premium policies. Others feel that, to avoid further antagonism in financial services, all multi-loan or part-surrender clauses should be eliminated. (58)

The policies have upset some members of the Life Offices Association (LOA), who think these products threaten the fragile peace accord struck with the banks.

Not all life companies agree. Some object to any type of policy which allows more than one loan or part-surrender. If there really is a case for distinguishing between single and recurring premiums, it is because of the potential for tax arbitrage: the single premium could be administered in the assurer's fund most suited to the tax needs of the policyholder. There is a possible differential in taxation of 13 percentage points. Revenue has expressed irritation at some of the promotional activities of assurers exploiting this gap. (58)

Protagonists of the multiple withdrawal schemes draw an analogy to developments in the pension industry, where it has been argued, and largely accepted, that a person's savings, discretionary or contractual, should be available in times of need. Most provident funds provide a withdrawal facility in specific circumstances, such as retrenchment or to make a down payment on a home.

Traditional practice, which protected retirement savings in toto until retirement age was reached, has been well and truly breached.

The flip side is that, encouraged by the Financial Services Board (FSB), the life offices voluntarily accepted that there should be a demarcation between their products and those of the banking sector. An endowment policy is usually taken for investment and so, according to the argument of the FSB, should not be confused with a formal retirement provision (though the issue of allowing owners of retirement annuities access to their savings before age 55 is now also under debate).

The question of multiple withdrawal schemes was debated in the LOA, with Liberty, Fedlife and Timelife supporting these policies, while other influential members were opposed. After a vote, it was decided that one withdrawal or part surrender in the first five years was realistic. But, because of the short time allowed for deliberation, the present practices will continue to the end of the year, while further discussion takes place.

Meanwhile, existing policies are valid and it has been intimated that new policies with multiple withdrawal options may be marketed until the end of this year. Only then will deputy Finance Minister Theo Alant have to rule on whether more policies may be issued and if he will condone more multiple surrender policy sales.

If no deal is struck by all the life offices, the one-surrender ruling will probably apply. Yet there remains a possibility that the Minister can, by regulation, allow more than one surrender — or no surrenders at all — and make these rulings applicable to particular types of policies. But assurers which are not marketing these products consider the January 1 deadline too lenient.

Given the row that has erupted in the industry and the inevitable reaction of the banks, it seems unlikely Alant will condone multiple surrenders in policies issued next year. And it might have been better to put the products on hold pending consensus.

Whether the products genuinely compete with banks is arguable. With the loading that applies in the first two years of a policy and with investment yields having fallen (though the assurers still hold out a notional expectation of 15% compounded), endowment policies are not much of a threat to retail bank deposits. Yet that situation could change again. (58) ■

fm 30/7/93

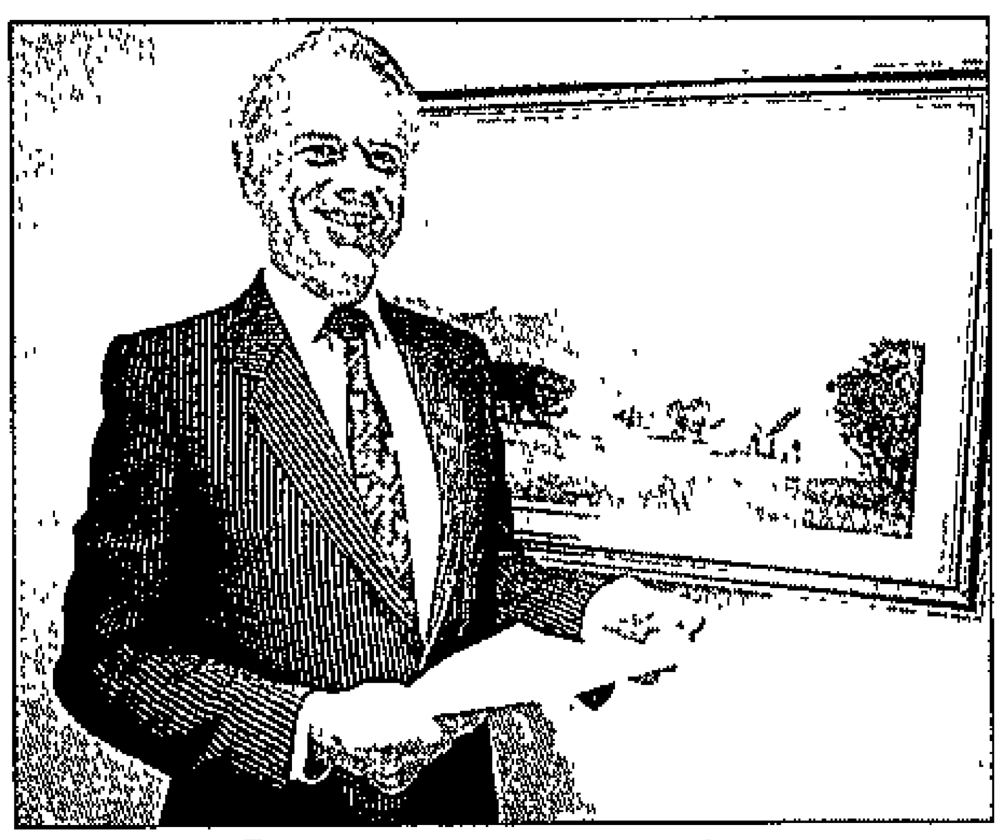
PETER MARTIN

Sailing close to the edge

FM 30/7/93

Peter Martin is something of a rarity in the insurance industry. Though recently elected chairman of the SA Insurance Association and MD of SA Eagle, he cannot recall ever selling an insurance policy. "I'm an accountant, not an insurance man," he pleads.

But accountancy might well be what the insurance industry needs during the first year of Martin's leadership. It's often alleged that short-term insurers react to circumstances instead of creating opportunities. An example was the introduction of VAT, making SA a rare case for having a tax added to insurance. The industry clearly never anticipated the consequences. (68)



Peter Martin ... *taking stock*

Martin says: "I do think the industry should become more proactive, get more involved in the issues which confront every insurer. As an industry, it's highly competitive so one will never have consensus about every issue, but there are some areas on which general agreement can be found and where the association can act for everyone."

One could be the issue of regulated maximum commissions for insurance brokers. The Competition Board has attacked the system. Martin says the board probably does not understand the consequences of deregulating the industry. "It could lead to brokers putting business with the highest bidder, a situation which could cause immense strain on the resources of the smaller underwriting companies. The last thing business confidence needs right now is an insurance company failure."

Competition induced by insurance rates, he argues, is healthy. Competition based on broker commissions is not.

Another issue he wants finalised during his term is a Short-term Insurance Act to replace existing legislation dating from 1943. He's not sure how many drafts have been made so far (the *FM* has four).

Welcoming clauses to protect consumers, Martin says: "Where the ombudsman notices that certain members of the association are consistently the subject of public complaint, he will have the power to deal directly with the executives of the company concerned and put on record the degree of concern that's coming in from the public."

Into the net covered by the ombudsman. says Martin, now come those brokers who have binders with Lloyd's. As Lloyd's is registered as an insurer in SA, Martin sees no reason why its agents should be treated differently to any other firm. (58)

An issue on which he would like industry agreement and funding is: how to educate unsophisticated consumers about insurance, particularly such aspects as averaging of claims. It will be difficult, because some members have a preponderance of domestic business while others specialise in commercial lines. There is little common ground.

Married, with two sons who declined to follow him into the insurance world, Martin's interests include his church, motor racing and competitive sailing. He has now bought a house in Hout Bay to pursue his sailing enthusiasm. "So if things become worse, we can just sail away." Maybe he is an insurer after all. ■

AFRICAN BANKING

FM 30/7/93

As Africa's economies are liberalised, supervision of financial markets becomes more complex. This is one of the topics to be discussed at a conference on African banking next month. (58)

Reserve Bank Deputy Governor Jaap Meijer will talk about the banking system's importance to a structural adjustment programme. Neville Grant of the Bank of Zambia's supervision department will examine prudential controls and supervision. Other speakers, on various topics, will include:

☐ World Bank Africa region senior financial economist Paul Popiel;
☐ African Development Bank president Babacar N'diaye;
☐ Swaziland's Meridien Biao MD Chris Evans;
☐ Reserve Bank exchange control GM John Postmus; and
☐ Banking and insurance consultant Des Hudgson.

The conference will be at Sandton Holiday Inn on August 18-19. Sponsored by Meridien Biao and organised by AIC Conferences, it will be presented in association with the *FM*.

Registration fee is R2 154,60 (R1 890 plus 14% Vat) including lunch, refreshments and documents.

To register, telephone 803-9680, fax 803-9684 or write to AIC Conferences, Box 4176, Rivonia, 2128.

BANKING FM 30/7/93

In the back room

To curb fast-rising costs and improve efficiency and security, the four main banks have formed a joint venture to control the industry's utility services. (58)

SA Bankers' Services Group (BankServ) will control and be responsible for the development of Saswitch, Automated Clearing Bureau, Unexcor, Joint Banks Credit Bureau, Central Depository, BankScan and Standard, and cash-handling firm SBV.

Absa, First National, Nedcor and Standard will each own 25% of BankServ. BankServ chairman and FNB GM Kosie Meiring says negotiations will begin shortly on buy-

(Continued on page 34)

PTC. → P34

Continued from page 31

ing shares which smaller institutions hold in Saswitch, Automated Clearing Bureau and Unexcor. This should be completed within months. FM 30/7/93

"These institutions will continue to have access to the services run by BankServ and will have a representative on its board," says Meiring. The four shareholders in BankServ have each appointed two senior executives to its board. They will be joined by a senior executive from the Reserve Bank and representatives from the other institutions.

The chairmanship of BankServ will rotate among the four shareholders every two years. Eben de Klerk, former head of Bankorp's information technology operations, who retired from Absa early this year, has been appointed BankServ CE.

BankServ will also take over the running of the myriad inter-bank committees established to devise technical standards for the banking industry. (58)

The first benefits of the amalgamation are likely to come from improved administration. "Because the utilities operated independently in the past, they each supported their own employee pension funds, medical aid schemes, personnel departments and computer systems. BankServ will now take over these functions," says Meiring. Annual savings are expected to reach as much as R6m in the next few years.

Meiring acknowledges that the streamlining of the computer systems used by the different utility companies, which offers substantial potential cost-savings, is likely to take some time However, several opportunities are already apparent. The banks have for some time been looking at the possibility of housing the Saswitch service at the high security premises of the clearing bureau. In addition, the Joint Banks Credit Bureau, which is currently using a bureau service, could use spare capacity on Unexcor's mainframe. Meiring says such moves are already being considered by BankServ.

Other areas of discussion include a common infrastructure for the use of smart cards issued by the banks. Some of the biggest benefits from the creation of BankServ are likely to come from greater co-operation among banks in developing new utility services, says Meiring. ■

Fm 30/7/93

LIBERTY LIFE/LIBSEL
Fm 30/7/93

What else will go in?

From the standpoint of shareholders in Liberty Life, the flotation of Liblife Strategic Investments (Libsil) is another favourable deal. For prospective investors in Libsil, its prospects are less evident as things stand.

Liberty and Liberty Holdings shareholders are being invited to buy into a portfolio of blue-chip shares which are difficult to obtain in quantity, and at a 10% discount to Libsil's NAV as at July 21. (58)

The deal offers financial efficiencies for Liberty Life, improves the balance of the portfolio attributed to Liberty shareholders and creates a listed vehicle for further strategic acquisitions.

The real test for Libsil as an investment vehicle will come when there is evidence of what may flow from the plan to expand these holdings. Until then, it will depend for growth essentially on the three counters — Standard Bank Investment Corp (SBIC), SA Breweries and Premier Group — making up all but 6% of the portfolio value.

Biggest is the 23,8% of SBIC, with a market value last week of R2,55bn, or 45,6% of the portfolio. Next is 27,3% in SAB holding company Bevcon worth R1,56bn and the direct 0,9% in SAB, worth R143,5m: these add up to 30,5%. The 23,4% of Premier Group, worth R997m, accounts for 17,9%. That only leaves 4,6% of Gold Fields of SA, worth R217,3m and accounting for 3,9%; and R117,5m of liquid assets giving the remaining 2,1%.

Market ratings of the three dominant holdings make the timing of the listing look impeccable. SBIC has more than doubled from around R46 when Liberty bought the 10% stake held by Rembrandt Group in 1991. Similarly, Premier was rerated from about R20 in late 1990 to more than R50. SAB has traded between R50-R60 for two years but long-term performance has been exceptional.

It may be argued that premium share ratings are justified by the historical performance, but the market prices are far from cheap. Whether it's worth buying in at these levels would depend on one's view of their prospects. Chairman Donald Gordon argues that all are blue chip, and should continue to perform well in the long term.

It's partly because of the appreciation of these investments that it makes sense to lighten Liberty's exposure to them. Its investment in these strategic counters was funded out of shareholders' capital as they were considered too large for prudent absorption within policyholders' portfolios.

But almost all the investments attributed to Liberty shareholders now consist of these few holdings — hardly a balanced portfolio.

There will be definite financial efficiencies. About half the R1bn to be raised through the rights issue is to be used to retire expensive preference shares on which Liberty is now paying about 10%-12% a year. The remaining funds of about R500m will be released into the mainstream of the business. Even if it is placed in the money market, there should be significantly better returns.

But what is there to persuade investors to stump up the funds? Some of these shares could be bought in the market anyway. And shareholders are essentially being invited to pay for investments they already own. Also, some analysts contend financial services and food are contra-cyclical investments, best held in a recession rather than in the upturn.

Several incentives

Institutions will probably see several key incentives. Shares like SBIC in particular are almost impossible to acquire in significant quantities. SBIC is linked to the control structure of Liberty, Bevcon is key to control of SAB; both may justify premiums. And the 10% discount may well be an attraction.

But the critical issue is whether the market believes Libsil will be expanded actively and reasonably soon. Gordon says further acquisitions are intended, but is enigmatic about details, except to say Libsil will hold SA investments and the quality would not be diluted. That leaves plenty of scope, from grass-roots projects to acquisitions.

Some analysts look with a tinge of scepticism at the plan to develop Libsil's portfolio. They cite the 1986 listing of Liberty Investors (Libvest). Among the objectives of the flotation was "to provide necessary funds to facilitate diversification into new investment opportunities in selected counters."

Apart from its one-third interest in Liblife Controlling Corp, Libvest started with a small equity portfolio, including Barclays Bank, Sasol, Fugit, UBS, SAB, Anglo American and GFSA. Its only asset now is 50% of Liblife Controlling Corp. Gordon's riposte is that shareholders have done extremely well, and they should take a long-term view. (58)

It remains to be seen whether Libsil (which won't pay management fees to Liberty) will trade at a discount to NAV. Gordon believes it won't, except perhaps for brief periods.

More detail about the intentions, or an announcement of a deal — particularly before the rights offer closes on August 6 — would certainly help generate enthusiasm.

Andrew McNulty

Reserve Bank's rearguard action

(58) WM '30/7-5/8/93

Lower price and wage increases may be forced on the economy, reports **Mike Daly**

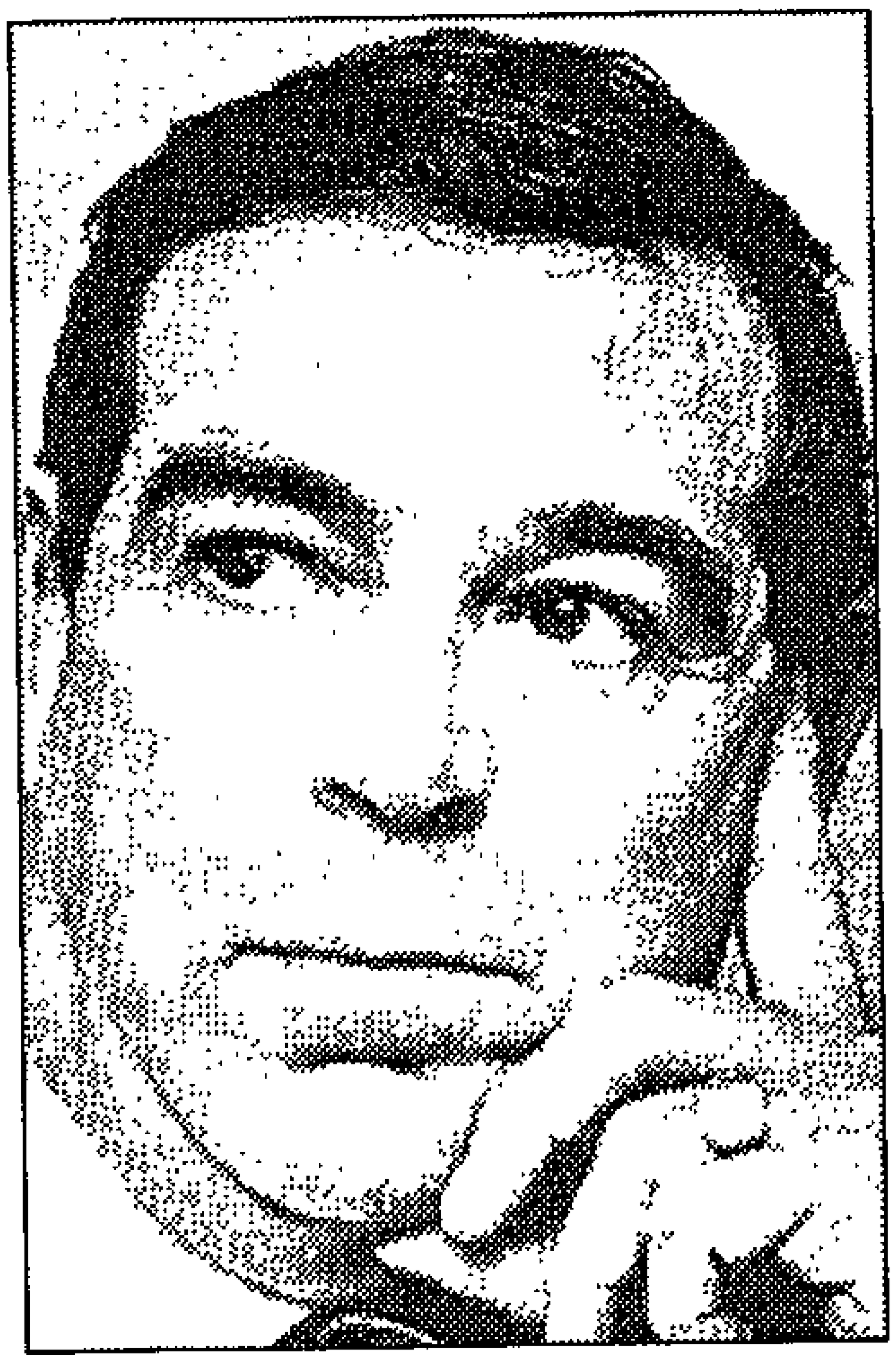
AS the country enters the fifth year of recession, the calls for lower interest rates are understandably becoming more frequent. The level of short-term interest rates, at least in the near term, is strongly under the influence of the Reserve Bank through its setting of the key Bank rate — the rate at which the commercial banking system obtains the cash reserves required by the amount of lending undertaken. Cheaper "accommodation" from the Reserve Bank generally results in commensurately cheaper credit in the economy, with relief for corporate and individual borrowers.

However, Reserve Bank governor Chris Stals believes the depressed economic conditions are caused by political and economic factors beyond the Bank's control. To add more money to an economy where there is little consumer or business confidence would only lead to financial instability.

The Bank's "mission", conferred on it by parliament, is brief: "The protection of the domestic and the external value of the rand." While balanced, sustained economic growth is what everyone desires, the contribution of the Bank essentially stops with the fulfilment of its mission. The rest is up to the foreign and domestic cyclical forces that traditionally affect the economy, to coalesce into a positive force for sentiment, confidence and increased production.

In 1991, the Bank became quite strident in its intention to bring down the inflation rate, which averaged 15,3 percent that year. Stals made it clear then that prices and wages, set in the belief that the Bank would be willing to validate them by creating of money, would not be able to be passed on in the economy to final consumers, and that this would inevitably result in production cutbacks and loss of jobs.

It was a new, hard statement whose consequences have taken a long time to be appreciated. There can only be less validation of generalised price increases if money and credit are made more expensive — if interest rates are high in real terms. Provided inflation declines, so can nominal interest rates without breaking with the policy of maintaining positive real interest rates. Lower price and wage setting behaviour plays a key role in this process. It can occur "voluntarily" in the belief that the Reserve Bank is serious about bringing inflation down in the future because, in that case, lower nominal price and wage increases will not necessarily mean lower real increases.



Chris Stals ... Monetary mission

Alternatively, the required behaviour may have to be forced on the economy via tight credit conditions and the falling away of demand, with output and job losses.

In the June *Quarterly Bulletin*, the Bank comments that, at least until the end of 1992, the recession and consequent rise in unemployment have not exerted any significant moderating influence on the average remuneration of workers still employed in the formal sector. With the exception of the first quarter of 1990, the real wage per capita has increased in every quarter since the start of the recession. The increase in nominal wages per worker was still a high 14,9 percent in the fourth quarter.

While Stals, at major financial conferences, regularly sets out his mission of attaining financial stability (in practice, lowering the inflation rate), it seems that his mission is not *effectively* communicated to the broad economy. Given that a behaviour change is being demanded by the Bank, and given the demonstrably high costs of it not being forthcoming rapidly enough, more should be done to bring home the message. The quicker voluntary pricing moderation occurs, the sooner real output and employment can start to recover.

My experience, even now, particularly in presentations to businessmen who are not "Stals watchers" in their line of business, is of an uneasy shifting in the seats as I inform them of the Reserve Bank's game-plan. The idea that the Bank is open to notions like "slash interest rates" and "let the rand go", dies hard among key decision-makers.

It does appear, however, that pricing behaviour, especially in the labour market, is finally being moderated, if only because of untenable pain levels and not necessarily because of a belief that prices will be rising at a slower rate. Yet there has recently been good reason to believe exactly this.

Inflation at the producer price level for May fell to 7,0 percent — in fact, it has been in single digits for 19 months. It is probable consumer price inflation will fall to around seven percent in April next year, when the effect of the higher VAT rate falls out of the CPI. Interest rates in current and prospective terms are thus excessively high and two full Bank rate cuts are entirely warranted.

However, other things have gone wrong. The gold and foreign exchange reserves have dropped by more than R6-billion in the 10 months to June this year, primarily due to foreign capital outflows. The outflows were in part politically related, with foreign creditor banks being unwilling to roll over maturing loans except at punitive rates. Major parastatal bodies have elected to repay the loans, causing an outflow of long-term capital. Short-term capital outflows, however, were by far the main culprit.

While high domestic interest rates will not necessarily attract foreign loan capital that, for political reasons, is uncomfortable in South Africa, they do affect short-term trade finance flows. High domestic interest rates in relation to rates in Europe will, simplistically, cause trade finance to be raised overseas, implying an inflow of short-term capital. Domestic interest rates have had to remain high to ensure local borrowers source as much of their finance overseas as possible, thus preventing worse depletion of the foreign reserves.

The Reserve Bank requires an "adequate" level of reserves, ideally to cover three months' imports, in order to support the exchange rate of the rand at times when currency market pressures are causing it to depreciate. This is in line with the Bank's desire to see a relatively stable exchange rate for the rand. At present, the reserve covers less than two months' imports.

The prospect of harvesting the lower interest rates the economy now deserves thus depends in large part on International Monetary Fund funding becoming available this year and a political settlement early next year, with a significant reduction in the risk premium the country presently attracts. Then there could be net capital inflows, with a rapid improvement in the reserves position towards the Reserve Bank's comfort zone.

Mike Daly is chief economist at Southern Life

ABSA drops R1 000 levy

By MAGGIE ROWLEY

ABSA last night backed down from its controversial R1 000 levy on queries concerning overcharged interest on overdrafts from clients working through independent consultants.

The cost of duplicate monthly statements has also been reduced to R2,50 from R5. Both the levy and the increased fees were strongly criticised in The Cape Times this week.

Nallie Bosman, executive director of ABSA's commercial banks said they had noted the public concern expressed in the media regarding the handling of interest rate queries in respect of its Volkskas and, to a lesser degree, Trust Bank operating divisions.

"To ensure that our clients' concerns receive the attention they deserve, we have reviewed the situation."

In future, clients of Volkskas and Trust Bank "are cordially invited" to bring any queries they may have regarding the interest levied on their overdraft acounts to the attention of their branch managers.

Clients with bona fide queries will be entitled to a free audit on interest levied and a 24-hour help line has been made available to provide advice on issues which are not resolved at branch level. The telephone number for the help line is 0800 123456.

Bosman said that if after consultation with any external consultant the client required an independent audit, the services of KPMG Aiken & Peat, would be made available at R250 per each 12 months' statement or part thereof. "If any error is found in the calculation of interest to the detriment of the client, the audit fee of R250 will be refunded by the bank."

Bosman said that each and every case would be treated on its merits and refunds due to clients as a result of overcharging of interest, for whatever reason, would be made.

● Harry Harington of Cawood Financial Services said in view of ABSA's decision they would withdraw their complaint lodged with the Business Practices Committee on Wednesday.

Crusader's life in the balance

SI Times [Buss] Star 1/8/93

By CHERILYN IRETON

CRUSADER LIFE's future is in the balance. After sinking millions of rands into the group over the past two years, major shareholder Anglovaal this week ordered a "re-appraisal" of the company's future.

Crulife chairman Mr Dave de Beer didn't believe that policy-holders should be concerned about their funds.

(58)

This follows negative developments in the company over the past month which have seen its market value shrink by half to R44-million.

The directors this week asked the JSE to suspend trading in the shares — and those of pyramid companies Anglovaal Insurance and AVF Group.

Mr de Beer said the board was involved in sensitive discussions and felt it was inappropriate for the shares to continue trading. "Our discussions revolve around Crusader. We will be making a statement shortly," says Mr de Beer.

The Financial Services Board (FSB) is being informed of developments.

Banks spurn Sanco's R60m demand

S1 Times 1/8/93

By JAMES BRITTAIN

A DEMAND for more than R60-million to pay civic advisers' salaries is at least partly responsible for the suspension of an agreement between the South African National Civic Organisation and major money lenders. (127)

Civics chief Moses Mayekiso said this week his organisation had asked mortgage lenders to pay R3 000-a-month salaries for two years to the civics' representatives who would help negotiate mortgage loans in the townships.

Each worker was to be paid an additional R10 000 annual office allowance.

Mr Mayekiso said banks and building societies had agreed to the demands, but "reneged" on the deal at a recent Association of Mortgage Lenders steering committee meeting. (58)

However, an association spokesman denied that any salary proposal was officially tabled during negotiations with the civics.

Mr Mayekiso said his organisation had suspended the agreement and would meet next month to decide on further action.

Arrears

The March 12 pact was intended to reopen mortgage negotiations in the townships.

Experts in the financial sector estimate that more than 65 000 township households are in bond arrears — a debt of more than R3-billion.

In the civics' proposed budget, Mr Mayekiso envisaged one civic adviser for every 100 cases of arrears, foreclosures and properties in possession.

Mortgage lenders' association spokesman Jopie van Honschooten said the agreement made no provision for the continuing payment of advisers.

Mr van Honschooten said banks would not agree to pay salaries to civics leaders because it would compromise the neutrality of the financial institutions.

He said the association had agreed to pay civics staff to disseminate the agreement and for the training of field workers who inform the community of the agreement.

Mr van Honschooten said the civics were demanding support for their infrastructures from the banks.

"There is no way we can do that," he said.

ST Times CBUSS 58 11/8/93

Cost of a credit card at a glance

By TERRY BETTY

IN choosing a credit card one should look at more than the pretty colours, pictures and gimmicks that go with it.

As the man on the radio advertisement for a United credit card says, look at the costs involved.

If you intend taking out your first credit card, or are fed up with your bank and looking for another, here is a guide to costs you may expect at Standard Bank, United, First National (FNB) and Nedbank.

At first glance it appears that United lives up to its claim of offering the lowest costs for the ordinary person.

For the high-income earner Standard is the cheapest. Its budget card or revolving credit facilities allow payments over a longer time.

Apart from the direct costs, the quality of service should play a role in your choice of card.

About 2,3-million Mastercard and Visa credit cards are in use. About 400 000 garage or petrol cards have been issued.

Standard Bank credit card division assistant general manager Alastair Graham says Absa (United), First National and Standard Bank are the largest in the market.

They have about an equal share of the number of cards in issue. But Standard has the biggest market share in terms of use — "probably because we have a larger share of the affluent market".

A card can be the cheapest and most efficient form of credit, provided it is used properly.

Card holders paying in full at the end of the month get 45 days' free credit on average, says Mr Graham.

Potentially the greatest cost to a card holder is interest on debit balances and cash withdrawals.

The table shows that all banks tier the interest rate to different customers, the well-heeled paying lower rates.

Nedbank is an exception. The card holder receives only a 1% reduction in the charge rate if he or she has spent more than R6 000 in the last three months. Everyone else pays the same rate.

United has the lowest charge for its normal customers. They pay 24,25% on debit balances. Nedbank has the highest at 25,5%.

For well-off customers, Standard has the lowest rate of 20,25%.

Mr Graham says the cost of a debit facility is more expensive than on overdraft because it is a higher risk for the bank.

Annual

"Banks are inclined to give credit cards to people they would not give a large overdraft to."

Banks also do not know how many credit cards an applicant has at other institutions. They are thus ignorant about customers' full credit commitments.

Most banks offer 10,5% interest for those with a credit balance.

However, at Standard you need at least R100 000 before you can earn 10%. It pays 6,5% to those with less than R5 000 on deposit in their card account.

Other costs to be wary of are the annual charges as well as the lost card protection fee.

The annual charge for a credit card varies from R28 at United to R33 at Standard.

The cost of a second card on the same account varies from R15 at United and Standard to R32 at Nedbank.

The lost card protection fee ranges from R3 at Nedbank to R5,50 at Standard. This charge is levied according to the number of cards.

If customers draw cash on a credit card, interest runs from the date of withdrawal.

The card holder is also charged for withdrawing cash — from 75c at Nedbank to R1,50 at FNB.

Card holders are also charged for voucher checks or backdated statements.

Many charges are unnecessary and can be avoided if the card holder plans his or her finances efficiently.

ST Times CBUSS

Credit card charges

	Standard Bank	FNB	United	Nedbank
Interest charged on normal cards	24,75%	24,75%	24,25%	25,5% for 24,4% if more than R6 000 was spent on budget during last 3 months
Interest charged on elite cards	22,25% - 20,25%	22%	22,25%	
Interest received on credit balance	Tiered, eg.: 6,5% if < R5 000; 10,5% if > R100 000	10,5%	10,5%	10,5%
Annual fee	R33,00	R30,00	R28,00	R32,00
Lost card protection	R5,50	R4,00	R4,56	R3,00
Fee for second card	R15,00	R30,00	R15,00	R32,00
Cash withdrawal cost: Own teller	95c	R1,50	50c per	75c
Other teller	R1,50	R2,50	R100	75c
Tax per transaction	15c	15c	15c	15c
Replacement card	R25,00	R25,00	R25,00	R25,00
Extra statements (per copy)	R5,00	R4,00	R5,00	R5,00
Voucher check	R5,00	R4,00	R15,00	R15,00

Graphic: FIONA KRISCH

ST Times CBUSS 11/8/93

SAA bid to get rid of old-style Boeing 747s

By ROGER MAKINGS

SA AIRWAYS will have to consider replacing its multi-million-dollar fleet of Boeing 747s in the next few years.

Most of the 12 jets, with a conservative value of about

one Boeing 767 and bought a second, which it now appar-

cabin, digital cockpit instrumentation and low engine noise.

Mr Els says: "This is the ideal aircraft to test the Mediterranean market. If it's

Banks free to cut interest rates — Stals

(58)

ARG 1/8/93

BRUCE CAMERON
Business Staff

THE Reserve Bank will not stand in the way of private bank reductions in interest rates but governor Dr Chris Stals gave notice that he will not fund cuts by reducing the current 13 percent key bank discount rate.

In an interview Dr Stals said the lowering of the rate at which the Reserve Bank lends to other banks would only speed the rate at which money is leaving the country.

The Board of Executors has already dropped its mortgage bond rate by 0,5 percent to 14 percent but the major mortgage lenders are sticking to the current 16 percent with 15,5 percent for preferential clients.

With the shortage of short-term liquidity the private banks have indicated they are unlikely to unilaterally drop rates. This time they will wait for a lead from the Reserve Bank.

Dr Stals emphasised his major concern was the protection of the country's assets in gold and foreign reserves.

Although the situation had been eased by the rising gold price and the reduction in agricultural imports "there have been huge capital outflows'.'

He pointed out that since the beginning of the year South Africa's foreign and gold reserves had been halved from R12 billion to R6 billion.

On top of this he felt a lowering the of bank rate would do little to stimulate the economy.

The velocity of money had dropped significantly, indicating that even if the economy turned up there would be little initial need for the creation of additional money.

"The R200 billion in circulation is not being used reactively. There is a lot of scope for the existing suppply to be used more actively."

Crusader Life halts all new business

BDay 2/8/93

CRUSADER Life will not take on any new business.

ROBYN CHALMERS

Crulife said last night that shares of Crulife, Anglovaal Insurance Holdings (Avins) and the AVF group would remain suspended from the JSE "until further notice". The board believed "there was little or no value attributable to ordinary shareholders" in either Crulife or Avins.

AA Life would not pay holding company Avins any dividends for the next few years as funds would be used instead to finance preference shares in AA Life.

Crulife director Dave Barber said the board had decided not to take on any new business in a bid to alleviate the strain of paying large up-front commissions to intermediaries. As a result, growth prospects for Crulife were poor, and the assurer's size would decrease.

(58)

"Crulife has had a tough time over the past few weeks, and it was decided to take action now ahead of the final results of the actuarial evaluation. These findings will be made known within the next few weeks," Barber said.

B/Day 3/8/93

Spotlight on merits of bank ratings

SHARON WOOD

STANDARD Bank Investment Corporation is the only one of the "big four" banks which refuses to be rated by local agency Republic Ratings, says ratings director Dave King.

While the bank might prefer a rating from an international rating agency, no local bank would get a good rating from an international agency because of the risk attached to SA, he said in an interview.

Informally the bank was highly regarded and had avoided the adverse publicity the other major commercial banks had experienced. If it was formally rated, it would probably receive the same rating as Nedcor, Absa and FNB.

(58)

These banks were rated A1+ for short-term ability to repay debt. For long-term business, Nedcor and FNB had received AA ratings for unsecured debentures. Absa had no long-term rating because it had no long-term debt when last rated.

A triple-A rating, the highest long-term rating that could be achieved, was unlikely to be earned by local banks as it was extremely difficult to predict whether they could protect themselves 10 years down the line.

Standard Bank deputy MD Denzil Busse said the group maintained that an international rating was far more important than a local rating. Until local rating agencies had proved their credibility internationally the bank did not feel there was any merit in being rated by them.

King said the two main challenges facing the banking sector in the next few years would be catering for the underpriveleged market and facing international banking competition.

Banks would have to design products which met social requirements as well as providing returns. However, they would not be able to apply the usual risk/return criteria, so product cross-subsidisation was likely, he said.

Local banks, protected for too long in the corporate arena, did not have the access to skills and dealing lines that international banks did.

Capital adequacy, previously the biggest hurdle confronting the industry, was no longer a serious problem.

Even Absa, which had said it would need to raise capital in a couple of years, would not have difficulty raising that capital. He was confident that Absa had a lot going for it and that its share price could outperform those of the other banks.

Its biggest problems were its management and its technology. Management was not an insurmountable problem because the group could afford to buy good people. "A few good people, who can themselves attract a few good people, could soon change the culture of the group," he said.

SOWETAN Tuesday August 3 1993

Bond boycott plan

Sowetan 3/8/93

By Joshua Raboroko

MAJOR BANKS COULD face action, including bond boycotts, for allegedly refusing to honour the spirit of the agreement reached between financial institutions and civic associations.

The action, which will include picketing and sit-ins, could be launched next month, sources said yesterday.

This follows the South African National Civic Association's decision to suspend the agreement it reached with the Association of Mortgage Lenders.

The agreement established new procedures by which home-owners who fell into arrears could make their way out while still honouring the bond commitment. If the agreement had been properly implemented, the deal would have saved people's homes and also saved the banks millions in foreclosure, eviction and resale costs, Sanco president Mr Moses Mayekiso said.

The banks were abusing the agreement by threatening home-owners with eviction and issuing summonses to resell their properties if they failed to pay, Mayekiso said.

"My office has been inundated with angry reports from our structures in Katlehong, Tokoza, Alexandra, the Western Cape and from our regional leadership. It has become clear to me that the banks do not want to co-operate with our people but want to co-opt them," an angry Mayekiso said.

"We have therefore decided to suspend the agreement we entered into with the lenders, and will embark on mass action, including a bond boycott," Mayekiso said. He added: "We are angry because the economy is still sour, our people have been retrenched and the transition to democracy is threatened by mysterious elements."

Shareholders wait and wonder

B/Day 4/8/93

CHARLOTTE MATHEWS

SHAREHOLDERS and policyholders in Crusader Life Assurance Corporation (Crulife) are anxiously awaiting the annual actuarial review being prepared and the comprehensive statement they have been promised.

Crulife, which is 60% held by Anglovaal Insurance Holdings (Avins), issued a statement yesterday which said it would immediately cease to transact any new business. Its activities would be limited to managing policyholders' funds with the view to enhancing their overall financial position and that of shareholders. It added there was "little or no value attributable to ordinary shareholders" (58)

Crulife chairman Dave de Beer said there was "no further information at the moment".

A major shareholder, who asked not to be named, said he found it odd that the share price had been rising for some time, that auditors had approved past accounts, there had been growth in the dividend, Anglovaal was a substantial shareholder, UAL was linked in a venture with Crulife and "now there is nothing".

First Bowring CE Alan Wilson confirmed his company had received many phone calls from Crulife clients whose main query was what would happen to their policies. First Bowring had a meeting with Crulife today and would report back to clients. Wilson said most policies had guarantees attached.

UAL said it began negotiations with Crulife in June for the transfer of all Ella annuity policies underwritten by Crulife to a major insurance company. UAL director Clive Turner said developments at Crulife were being closely monitored on behalf of Ella annuitants, whose investment UAL was taking all appropriate steps to safeguard while Crulife carried out its valuation.

Financial Services Board long term assurance manager Oppie Opperman said there had been cases in the past where insurers stopped writing new business and subsequently had resumed.

"New business normally carries a strain since there are certain expenses in the beginning of a policy that have to be funded from capital, such as commissions to the intermediaries. If you don't have those expenses, all money generated goes to existing policy holders."

Crulife will operate as a closed fund, possibly for months or years, until the situation has improved.

Opperman, "talking a bit in the dark", said: "Until Crulife has finalised the audit and the valuation is done, the situation remains unsure."

In a separate development, JSE president Roy Andersen said the JSE had completed its investigation into the charge of insider trading in Crulife shares and had handed the issue to the Securities Regulation Panel. Securities Regulation Panel executive director Doug Gair said the panel's investigation would take about a week. It would then decide whether to take the matter further.

The investigation was begun after a sharp decline in the share prices of Crulife, Avins and holding company AVF Group ahead of an announcement of problems in foreign associate Pegasus.

● See Page 9

New business at Liberty up by 47 percent

Star 4/8/93

By Stephen Cranston

Liberty Life's total new business increased by 47 percent to nearly R1,04 billion in the six months to June.

Vice-chairman Dorian Wharton-Hood says part of the growth can be attributed to the success of the Medical Lifestyle health insurance product, but that it has been underpinned by Liberty's successful investment track record and by an improvement in service, which has led to an increased share of broker business.

"I would be very surprised if any of our competitors showed this kind of growth," he says.

Wharton-Hood says one of the strengths of Liberty Life has been its focus on the A and B income groups, which have not yet been badly affected by the recession.

New recurring premium income increased by 24 percent to R344 million, which Wharton-Hood describes as very satisfactory.

(58)

New recurring individual business increased by 25 percent to R308 million and new recurring group business rose by 16 percent to R36 million.

Single premium business showed particularly strong growth, increasing by 62 percent to R692 million.

Individual single premium business was up 68 percent to R406 million and group business was up 54 percent to R286 million.

During the same period, a further R1,66 billion of new investment funds was placed directly with Liberty Asset Management (Libam) by major institutional and pension fund clients.

This compares with R456 million in the first half of 1992 and R1,46 billion for 1992 as a whole.

Libam now manages more than R11 billion of discretionary investment funds on behalf of institutional and pension fund clients in addition to the funds of Liberty Life and the GuardBank unit trusts.

Stanbic lifts earnings and dividend

Star 4/8/93

By Stephen Cranston

Increased assets, a lower tax rate and widening interest margins enabled Standard Bank Investment Corporation (Stanbic) to report a 36,7 percent advance in earnings per share in the six months to June. (58)

The interim dividend has been increased by nine cents to 62c.

But group MD Eddie Theron warns that the rate of increase in earnings cannot be repeated in the second half.

The 23 percent increase in assets to R65,23 billion reflects the inclusion for the first time of the African operations bought from ANZ Grindlays, which added R1,41 billion to assets and a more than threefold increase in UK assets to R1,92 billion.

Last December's R650 million rights issue also boosted assets.

South African assets increased by 16,7 percent.

But Theron says there would have been no domestic growth if it had not been for the 18 percent increase in the home loan book to R14,06 billion.

Tax rate

Standard Bank now has 17,3 percent of the home loan market and expects this to increase to 19 percent by the end of the year.

The lower company tax rate added 27c to the bottom line, equivalent to an 11 percent increase.

Stanbic's results were boosted by widening interest rate margins.

Income from funds fell by 2,2 percent to R4,04 billion, but interest expenses fell 12,5 percent to R2,58 billion.

A considerable cause of concern was the 27,3 percent increase in the bad debt provision to R220,2 billion.

Theron says that the big four banking groups have seen their annual bad debts increase by 50 percent this year to R1,8 billion, equivalent to 12 percent of their total equity.

Standard's bad debt levels have increased from 0,33 percent of assets in 1988 to 0,68 percent this year.

Theron says more than two-thirds of the bad debt comes from balances of less than R500 000.

These results strengthen Stanbic's claim to be SA's leading banking group.

It should recover some of the ground it has lost since early June, when the share rose to R99.

It has since slipped to R87, giving it a P/E ratio of 14,7, still well ahead of FNB's 11,6, Nedcor's 10 and Absa's 8,5.

Business for Liberty

BD 4/8/93 (58)

CHARLOTTE MATHEWS

TOTAL new business written by Liberty Life in the first six months of 1993 rose 47% to R1,036bn from R706m in the same period in 1992, it said yesterday.

Clients also placed R1,659bn of new investment funds with Liberty Asset Management (Libam), compared with R456m in the first half of 1992 and R1,462bn in 1992 as a whole.

Liberty's new annualised recurring premium income improved by 24% to R344m from R278m in 1992. The fastest gains were made in individual business, which lifted by 25% to R308m (R247m). Single premiums climbed 62% to R692m from R428m in 1992, reflecting a 68% increase in individual business to R406m from R242m and a 54% improvement in group business to R286m (R186m).

Overseas assets a fillip for Standard

BDay 4/8/93

SHARON WOOD

SUBSTANTIAL asset growth and a lower tax burden pushed Standard Bank Investment Corporation's earnings a share up 36,7% to 335c from a previous 245c in the six months to June. (58)

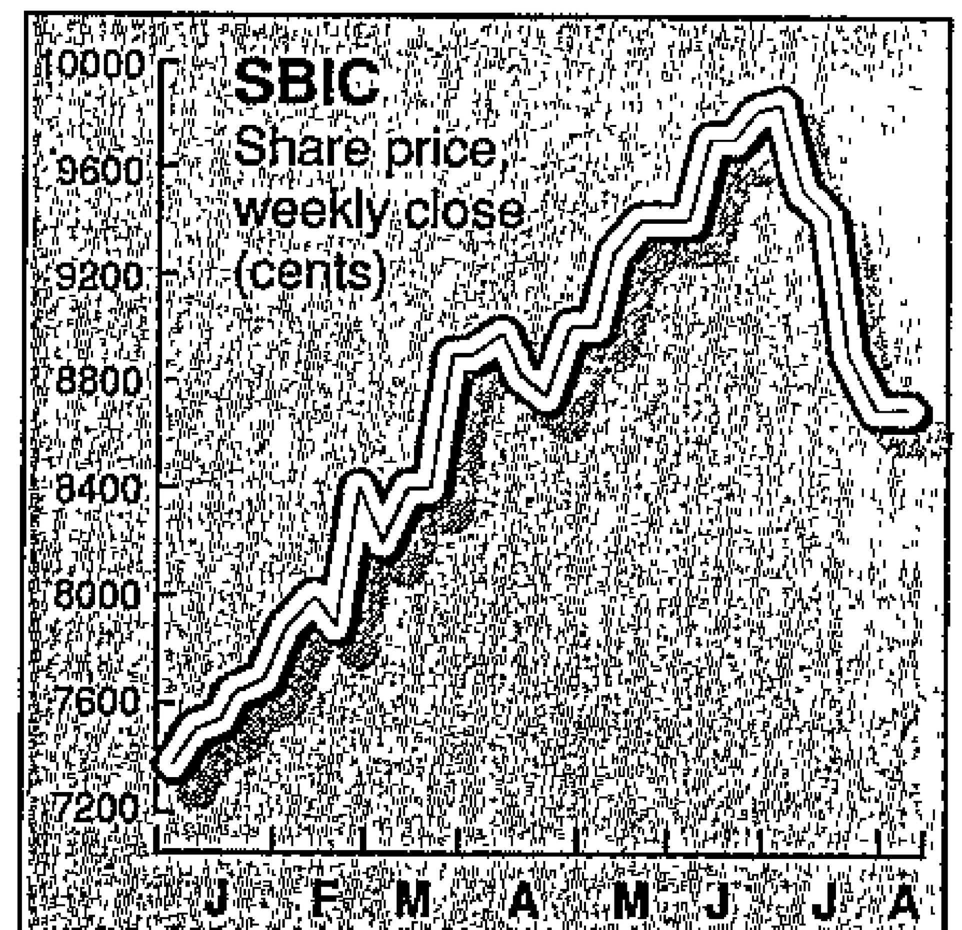
Dividends a share were up 17% to 62c (53c), but group MD Eddie Theron stressed the earnings performance was unlikely to be repeated in the final half.

A lower tax rate and significant growth in assets with the first-time inclusion of international operations had been the main factors behind the earnings rise.

He said growth had also come off a relatively low base last year, when assets grew by 10% compared with this year's 22% increase to R65,3bn (R53bn).

UK assets rocketed 248,9% and African assets went from nothing to R1,4bn. SA assets advanced only 16,7%.

Locally, loans and other advances registered only nominal growth of 6,2%, reflecting a continued lack of demand for credit.



Graphic RUBY GAY MARTIN Source I-NET

But home loans grew strongly, rising 18% to R14,064m.

Tax grew only 6,6% to R204,3m. There was a deferred tax rate adjustment of R62,5m, due to reduction in company tax

☐ To Page 2

Standard

BDay 4/8/93

☐ From Page 1

rate, but this had a neutral effect on the income statement because it was taken from pre-tax income as a result of existing project finance agreements.

The recently introduced secondary tax on companies would have only a marginal impact on earnings in the 1993 financial year, Theron said, and future earnings would be favourably influenced by the reduced effective tax rate. (58)

He added that the bad debt situation remained serious. Bad and doubtful debt provisions climbed 27,3% to R220,2m (R173,0m). The current ratio of bad debt provisions to total assets was 0,68% and was a "very substantial" amount. This compared with a "normal" ratio for banks of 0,33% — last seen by the group in 1988.

More than two thirds of the R220,2m bad debt provisions were for amounts of less than R0,5m, Theron said. "There are certain signs of a slight improvement in the ratio of bad debts to assets."

The group's interest margins grew by 23,6%, but growth in bad debt provisions exceeded this rise.

A 22% increase in operating costs to R1,55bn (R1,27bn) stemmed from the group's international acquisitions. Theron said there would be a strong emphasis on cost-effective expenditure in future.

An uncertain operating environment and challenging trading conditions meant strong assets growth was not expected in the year ahead.

Asset growth spurs Stanbic earnings 36,7%

58

CT 4/8/93

JOHANNESBURG. — An 18% increase in new home loans provided the shine in the Standard Bank Investment Corporation's (Stanbic) strong performance for the first half of the current financial year.

Substantial asset growth and a lower tax burden spurred a 36,7% growth in earnings a share to 335c from a previous 245c in the six months to June.

Dividends a share rose 17% to 62c (53c), but group MD Eddie Theron stressed the performance was unlikely to be repeated in the final half.

A lower tax rate and a significant growth in assets with the first-time inclusion of international operations had been the main factors behind the earnings rise. He said the growth had also come off a relatively low base last year, when assets grew by 10% compared with this year's 22% increase to R65,3bn (R53bn).

UK assets rocketed 248,9% and African assets went from nothing to R1,4bn. SA assets advanced only 16,7%.

Locally, loans and other advances registered only nominal growth of 6,2%, reflecting a continued lack of demand for credit. But home loans grew strongly, rising 18% to R14,064m.

Tax grew only 6,6% to R204,3m.

The recently introduced secondary tax on companies would have only a marginal impact on earnings in the 1993 financial year, Theron said.

Bank unlikely to cut rate this year, says economist

B/Day 4/8/93

LINDA ENSOR

CAPE TOWN — Despite market expectations to the contrary, a cut in Bank rate this year appeared unlikely as there was little scope for a short-term improvement in the parlous state of SA's gold and foreign exchange reserves, Old Mutual chief economist Dave Mohr said in the latest Economic Monitor. (58)

And while acknowledging that the bullish arguments in favour of gold could not be discounted entirely, Mohr remained unconvinced that gold was in the early stages of a bull market.

He said the state of the reserves ruled out any cut in Bank rate in the short term even though inflation was on a downward trend, the economy was weak and international rates had declined. A cut might occur only in 1994. "The severe depletion of the forex reserves since late last year came at a difficult time. In practice, the real economy cannot be stimulated into recovery when the forex reserves are so low without risking another full-blown currency — and ulimately inflation — crisis."

Mohr was pessimistic about the chances of an imminent recovery in the reserves saying that many local borrowers were tending to repay maturing foreign debt outside the standstill net rather than attempting to renew them.

"If this is indeed the case, the reserves are unlikely to recover soon (even assuming the recent higher trade surpluses are maintained) as large amounts of debt, both in and outside the net, fall due in the second half of the year.

"Add to this the risk of unfavourable leads and lags regarding trade finance now that the rand is weakening, and the case for an imminent lowering of short-term rates weakens rapidly."

He believed the Reserve Bank would have to be very confident about a sustained improvement in reserves before it lowered Bank rate.

Mohr said that despite positive sentiment he remained sceptical about a long-term rise in the gold price as the fundamentals did not look all that positive. Worldwide inflation was in retreat, the dollar was strong and while central banks might sell less this year, there was no certainty that they and other gold holders would remain on the sidelines indefinitely. Renewed sales would blunt any further price rise or cause another fall.

Mohr believed the economy was bottoming out and that the rate of job losses and declines in production output were slowing. However, there were as yet few signs of a recovery, except in agriculture and mining, sectors which would fuel modest quarterly increases in GDP for the rest of the year.

The upturn would be slow, being retarded by a tight monetary and fiscal policy and a gradual and patchy international recovery. Mohr expected GDP to grow 1%-2% next year.

New business at Liberty climbs 47%

S8 CT 4/8/93

LIBERTY Life Group said yesterday total new business had increased 47% to R1036m for the six months to June 1993 compared to the same period a year ago.

Single premiums climbed 62% to R692m from 68% and 54% improvements in individual and group businesses respectively.

New annualised recurring premiums rose 24% to R344m on 25% and 16% increases.

The funds under Liberty Asset Managment grew 264% to R1 659m.

More finance on pages 12 and 13

Disability payouts rocket to R700m

B/Day 4/8/93

CHARLOTTE MATHEWS

THE cost of new disability claims is now double that expected when making premium assumptions, Swiss-SA Reinsurance Deputy MD Douglas Keir says in Alexander Forbes' July Quarterly. (58)

The magnitude of disability claims paid out has risen to around R700m in 1992, including about R150m for future payments, from R250m in 1989. The 1989 figure included approximately R50m in future payments.

Disability insurance is known to be an economically cyclical business and mild deterioration during recessions is normal. However, insurers are currently suffering very badly both on lump-sum and on income benefits.

Keir says the expected frequency of normal disability is low in comparison to retrenchment programmes — two or three per 1 000 a year against retrenchment programmes affecting perhaps 10% to 20% of a workforce.

The number of disability claims has risen now to perhaps 5-9 per 1 000 a year, still seemingly low but in fact a 150% to 200% rise, he says.

Unscrupulous employers, bent on minimising their retrenchment costs by encouraging disability claims, are dramatically worsening the overall claims experience, resulting in higher costs for everyone, Keir says. The lack of sufficient unemployment benefits increases the desperation of employees to submit and validate claims.

Another factor encouraging increased claims is that group disability income benefits are over-generous in SA, he says. They can amount to full earnings for the first two years immediately after disability, which Keir suggests constitutes over-insurance.

From the risk-carrier's point of view, it is impossible to measure the ratio of new claims against premium assumptions and make a timely adjustment because there is, for a number of reasons, quite a long delay between the date of disability and the date of admission and payment of claims, Keir says.

Low forex stalls interest rate cut

(58) CT 4/8/93

By AUDREY D'ANGELO
Business Editor

SA's low foreign exchange reserves may prevent Reserve Bank governor Chris Stals from making a widely-expected cut in interest rates this year — in spite of the fact that inflation is falling, Old Mutual chief economist David Mohr said yesterday.

Presenting the Old Mutual Economic Monitor for the third quarter, Mohr said that the sharp job losses over the past year appeared to be slowing down, with the economy now in a bottoming out phase. "Hopefully, the worst of the recession is over."

But, he pointed out, this presented Stals with a dilemma. The country could not afford an upswing, which would mean a rise in imports, until capital outflows slowed and the reserves strengthened.

He did not think Stals would make another cut in interest rates until there had been at least three months of stronger foreign exchange reserves. "By then it will be so late in the year that he might wait until 1994."

Discussing prospects for 1994, he said he expected slow growth of 1% or 2%, but if the gold price remained above $400 an ounce, "it could be slightly better."

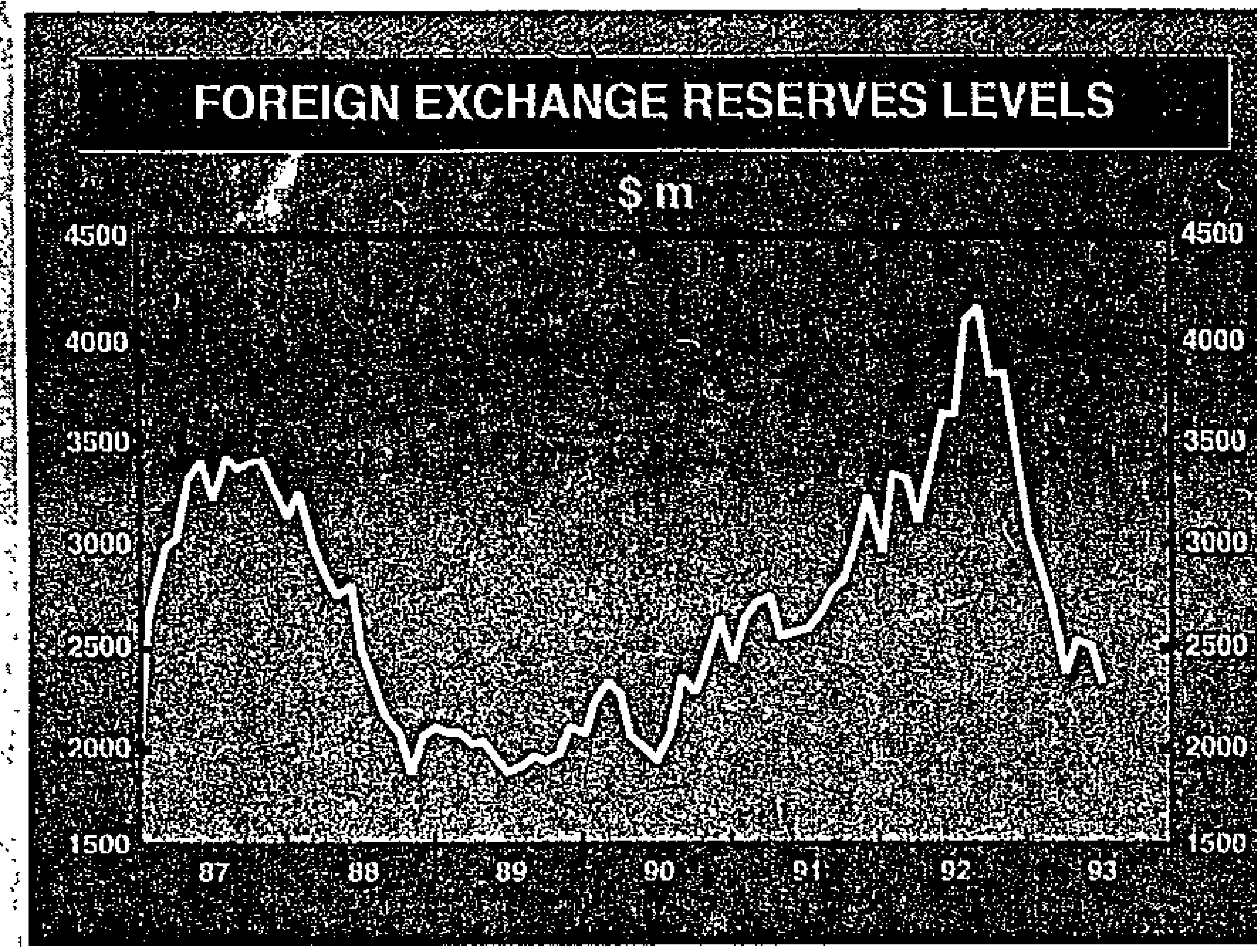
The inflation rate was still tending downwards and could fall below 10% this year.

Some people suggested VAT would be raised again in the next Budget, resulting in higher inflation.

It was not certain when the next Budget would be presented and a rise in VAT might not be possible. But with the present deflationary trend a small increase in VAT might be accommodated with the CPI remaining in single digits.

However, Mohr warned, if housing was excluded the underlying inflation rate was still above 10%. "It is not as if all prices are rising at single digit rates."

Discussing the effect of the higher gold price, he said it had already had an impact on the economies of some areas in the Free State which were dependent on gold and mielies. They were experiencing boom conditions compared with those they had suffered last year.



The Economic Monitor says sentiment in the gold market has "turned decidedly more bullish" and the price could rise much further.

"But," it warns, "we remain rather sceptical. We think global inflation concerns are exaggerated.

"In the US wage pressures are negligible, the dollar is strong and there are no capacity restraints worth mentioning. So the recent faster rise in consumer prices is unlikely to be sustained let alone accelerate."

Although demand for gold at present exceeds supply "it is by no means certain that central banks and other gold holders will not continue to sell, thus blunting any further price rise or even causing gold to fall again.

"In fact, according to IMF statistics, central banks sold a further 100 tonnes of gold during the first three months of this year."

Banks' cash reserve requirements eased

CT 5/8/93 From GRETA STEYN (58)

JOHANNESBURG. — The Reserve Bank has announced a "mild" relaxation of monetary policy that will release R1bn cash into the money market, triggering a fall in some interest rates without a cut in Bank rate.

The Bank said last night an easing in banks' cash reserve requirements could be justified at this stage from a monetary policy point of view.

A premature reduction of Bank rate could be risky, but some easing of the cash reserve requirements could be justified.

"Most of the financial statistics that have become available during the past several weeks have indicated a need for some easing in the overall monetary policy stance, with the exception of the gold and foreign exchange reserves which have remained under pressure. There are, however, also encouraging prospects for some improvement in the foreign reserves position in the near future," the Bank said.

A further reason for the changes in cash requirements, which banks are required to hold against their total liabilities to the public, was to ease structural problems in trading in the money and capital markets.

Risk study

The Bank also announced it had undertaken a special study of risk in securities trading with special emphasis on non-bank dealers.

The Bank has reduced the cash reserve requirement by effectively reducing liabilities and by cutting the percentage of liabilities to be held in cash.

The Bank will allow banks to deduct from their total liabilities their interbank liabilities and those arising from repurchase agreements done to fund trading in the capital market.

The percentage of short-term liabilities to be held in cash will be reduced from 2,5% to 1,5% for the reporting month of August and will be further reduced by 0,1 percentage points for each subsequent month until 1% is reached in January next year. The minimum cash reserve against other liabilities will be increased by 0,1 percentage points per month from 0,5% until 1% is reached in January.

R1-bn boost for SA banks

BRUCE CAMERON
Business Staff

THE corporate sector stands to gain from Reserve Bank moves to ease off on tough monetary policy allowing for a reduction in cash reserves.

The new reserve levels announced by Reserve Bank Governor Chris Stals yesterday will efffectively put about R1 billion into the money markets.

Although this will make borrowing cheaper for the corporates active in the wholesale or money market sectors there will be no direct benefit from the move for the man-in-the-street.

Banks today emphasised that they would not move on bank overdraft rates, bond or deposit rates until the key Reserve Bank discount rate was brought down by Dr Stals.

But Dr Stals is standing firm on reducing the bank discount rate because of the fragile state of the country's forex reserves.

In a statement Dr Stals said most of the financial statistics that had become available during the past few weeks indicated a need for some easing of the overall monetary policy stance.

But he again directly linked monetary policy to the state of the country's forex reserves, warning they still remained "under pressure".

There were, however, encouraging prospects for some improvement in the forex reserves position in the near future.

"Against this background, a premature reduction of the bank rate could be risky but some easing of the cash reserve requirements to take account of both the structural problems in securities trading and the need for a mild relaxation of monetary policy can be justified at this stage."

The measures announced by Dr Stals to ease monetary policy mainly affect minimum cash reserve and liquid asset requirements as well as central bank accommodation at the discount window.

The ultimate target for the reserve requirement, which will now be reached in February 1994, has been set at a lower level of 1 percent, instead of the previous level of 1,5 percent.

58 ARGUS 5/8/93

Dr Stals listed a number policy changes, including:

- Banks would be allowed as an interim measure to deduct inter-bank liabilities and repurchase agreements mainly used for the funding of securities trading from their total liabilities before calculating their minimum cash reserve requirements; and
- Minimum cash reserves held against short-term liabilities would be fixed at 1,5 percent for August and thereafter would be reduced by 0,1 percent for each subsequent month until 1 percent was reached in January next year.

In addition, Dr Stals said a new basis of financially prudent controls for securities trading would have to be found.

The banks were not absolutely sure how the move would effect them with some saying today that the change in reserves would be more to the benefit of the merchant banks and the banks that specialised in lending on assets.

SAGE GROUP FM 6/8/93

Debt still problematic

The new look Sage Group, which has entered the 1994 financial year without chairman and CE Louis Shill — who has taken over the housing portfolio for government — is a different beast from a year ago. (58)

The three listed entities have been restructured and merged into a single listing. This goes some way towards cleaning up what was a messy structure, though an organogram of the group is still complex.

Results appear to vindicate the restructure, though they are not directly comparable to the previous financial year. But while the reorganisation, and acquisition from Absa of full control of Sage Life, have sharpened the focus on core activities, debt remains a problem.

Gerard Steinmetz, chairman until the expected return of Shill next year, admits Sage has not yet derived any benefit in the form of reduced borrowings from the planned disposal of "certain investments". At the March year-end, long-term debt stood at R149,5m, 20% up on the previous year, while short-term loans were up 15% to R154m.

Executive director Bernard Nackan says one reason for the restructure was to "improve the financial structure" and the priority now is to reduce debt and, if possible, retire it completely, through "disposal of non-core investments."

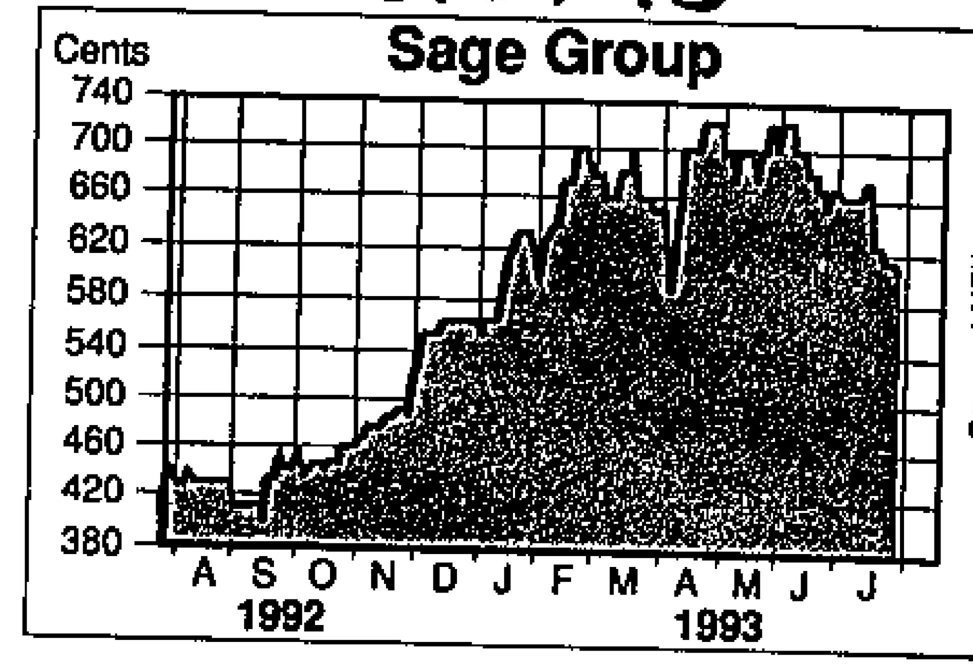
These include investments in which Sage has non-core interests, as well as some property interests. Sage also holds an effective 5% of Absa, which as a non-core and, so far, not particularly rewarding investment on the stock market, could be better employed to reduce debt.

cont →

Sage's Nackan . . . *debt reduction a priority*

COMPANIES

FM 6/8/93



Sage without Shill and Absa without Piet Badenhorst — as well as the recent R190m acquisition by Sage of Absa's 49%-interest in Amalgamated Insurance Holdings (including control of Sage Life) — together give the impression that the broadly based insurance group and bank are drifting apart.

Nackan says not: "It's not a separation, but rationalisation of holdings. Agreements providing for co-operation in the marketing and distribution of each other's products remain in place," he says.

The other main thrust of the restructure, says Nackan, was to get back to the basics, predominantly life assurance, but also property and related interests. A breakdown of group profit shows this to be happening: assurance now accounts for R47,6m, or 63,6%, of total profit, against R35,3m (57,2%), under what was Sage Holdings a year ago. (58)

Sage's exposure to property has been reduced from 12,5% to 8,3%, or R6,2m, of total profit, a prudent lightening under the depressed property market. Nackan says property development is still an important activity and will become more so when housing revives, particularly having regard to some of the strategic land owned by the group. Perhaps Shill can play a role here in the broader picture of trying to formulate a national housing policy.

The share has responded well to the restructure, gaining about 46% to 615c. Ratings remain way below average for the demanding insurance sector (though this is influenced by stocks such as Liberty Life). Investors could be waiting for a clearer view of the group and evidence that Sage has debt under control.

Shaun Harris

FM 6/8/93

Activities: *Life assurance, financial services and property.*

Control: *Mines Pension Funds 24%; Sagecor 21%; Absa 18%.*

Chairman: *G Steinmetz.*

Capital structure: *82,8m ords. Market capitalisation: R509m.*

Share market: *Price: 615c. Yields: 4,9% on dividend; 9,8% on earnings; p:e ratio, 10,2; cover, 2. 12-month high, 750c; low, 400c. Trading volume last quarter, 384 000 shares.*

Year to March 31	**†'89**	**'91**	**'92**	**'93**
Total assets (Rbn) ...	1,74	2,26	2,96	3,52
Net earnings (Rm) ...	29,2	34,3‡	43,4	50,0
Earnings (c)	36,0	42,0‡	51,2	60,5
Dividends (c)	18,0	20,8‡	25,0	30,0

† December 31 year-end.
‡ 15-month period annualised.

(58)

Tax rescues bank

Sowetan

REDUCED company tax rate has helped Standard Bank to increase its assets by 23 percent. 6/8/93

Releasing its interim results for the six months ended on June 30, Standard Bank Investment Corporation attributes the growth to, among other factors, the inclusion of its subsidiaries in Africa and the United Kingdom. — *Sowetan Reporters and Sapa.* 58

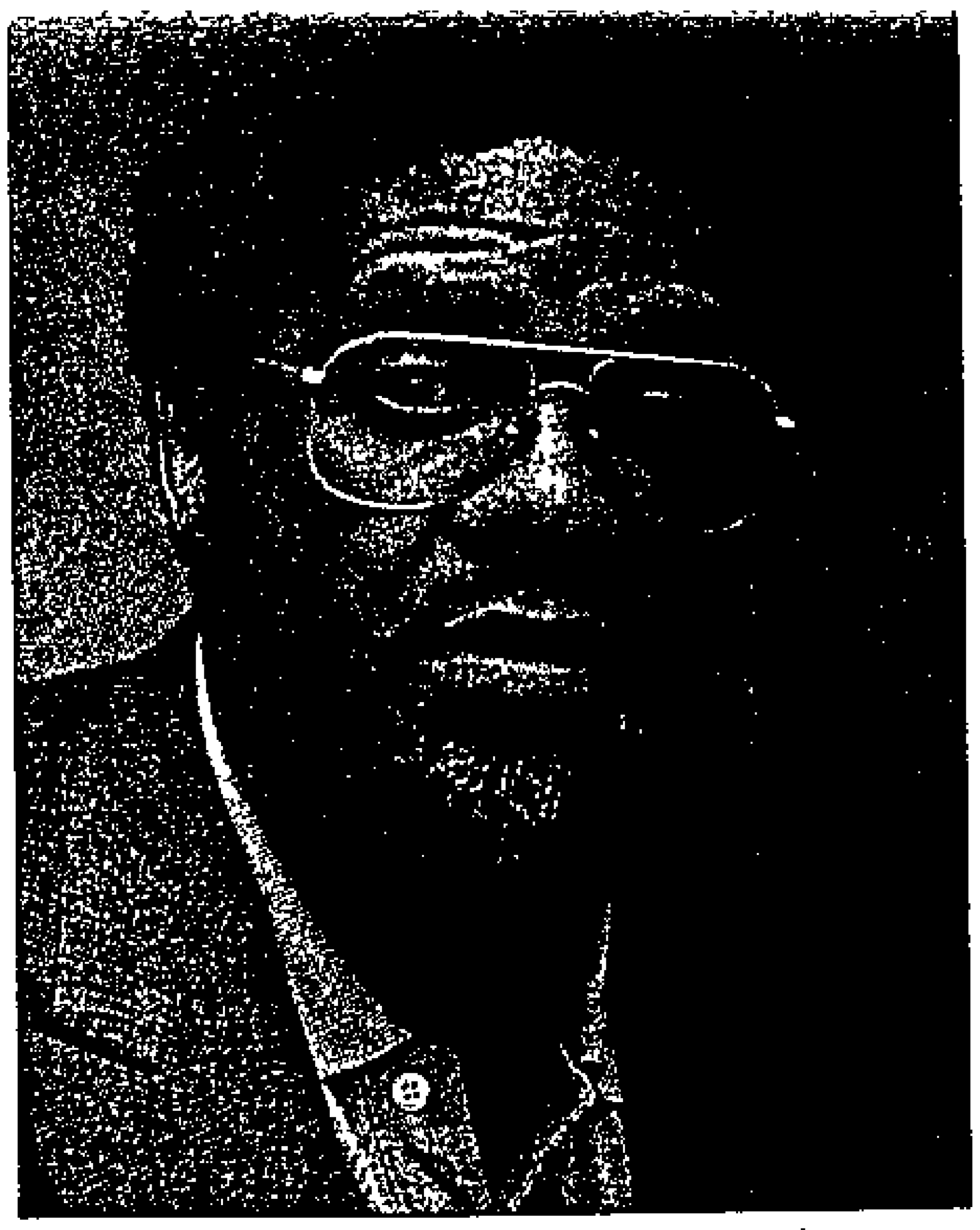
SANCO/BANKS Fm 6/8/93

Any counterproposals?

The unlikely alliance of the staid Association of Mortgage Lenders (AML) and fiery SA National Civic Organisation (Sanco), forged in April to sort out nonpayment of bonds in townships and since worked out in detail in working committees, has foundered. Sanco president Moses Mayekiso last week suspended the agreement, alleging AML had not acted in its spirit. (58)

About 200 000 township bonds (worth R7bn-R8bn) were issued in the late Eighties, of which it's estimated one-third are in arrears. The point of contention is the funding of community advisers to help clients.

In clause 6 of the agreement, AML committed itself to make funds available "to assist with the dissemination of this agreement to (Sanco's) regional structures for implementation; and to compile a training curriculum and facilitate the training of the identified community advisers."



Sanco's Mayekiso ... *proposing a R62m-plus programme*

Mayekiso says since March a working committee has been discussing how to fund the advisers. Sanco put forward a proposal on May 13. Fm 6/8/93

Besides this committee working out ways of eradicating problems and implementing the agreement, another is concerned with preventing problems and deals with education and unemployment insurance. A steering committee oversees these committees and ratifies reports they put forward. Thereafter the AML council and Sanco executive separately approve or reject any agreements.

Because of the working committee talks Mayekiso thought that the banks would pay advisers but the AML council turned down the proposal three weeks ago and — in Sanco's words — reverted to the agreement's limited funding commitment. (58)

Sanco's proposed two-year programme called for two-year contracts for advisers on a monthly pay of R3 000, plus R10 000 a year each for office expenses. No numbers of advisers were given save for a recommendation that there should be one for every 100 outstanding cases. AML calculates that with roughly 66 700 bonds in arrears, 667 advisers would be needed. At R36 000 each a year this totals R24m. The additional amount for running costs is R7m in round numbers, making a total bill of R31m a year.

This comes on top of a further R100 000 proposed by Sanco for dissemination costs — which AML is in principle prepared to pay — but excludes training and hiring costs "which are still to be determined."

Fm 6/8/93

The R100 000 includes Sanco's proposed R27 000 for dissemination, plus R1 000 per pilot workshop in a region (another R13 000), plus a further R55 000 for interviewing and evaluating advisers. (58)

The advisers, to be "drawn from locally based community structures" (clause 6), and not — as Mayekiso contends — "to be jointly appointed by Sanco and AML," are still not in place. The first workshop to present the agreement to Sanco Southern Transvaal, scheduled for the end of this month, has been shelved.

A prime mover in the AML-Sanco agreement, Standard Bank divisional GM Jopie van Honschooten, says working committee agreements are only provisional till ratified by the steering committee. An adviser to Sanco says the lack of community advisers kicks out the vital leg of implementing the agreement.

"How can you expect community advisers acting on behalf of not only the people, but the banks, to work for nothing?" asks Mayekiso. He can't say how many volunteers work part-time for Sanco but claims the organisation has 2 200 direct affiliates. They get allowances when funds become available through embassy and Usaid donations.

Mayekiso says people are angry and local civics may embark on bond boycotts. He charges that since April banks, particularly the NBS on the East Rand, have been using the agreement as a foreclosure tool, allegedly citing Sanco as party to the foreclosure.

NBS GM Trevor Olivier says: "It is an inescapable banking principle that money borrowed must be repaid. A stage is reached when legal action must be taken against defaulting borrowers."

AML has been asked to come up with a counterproposal. Its stance is that, at the end of the day, banks and clients have a private contractual relationship. Advisers, it stresses, can be used "if clients choose." Further, if AML starts funding Sanco's infrastructural costs, how many more organisations claiming to represent the people may it have to fund should they come to the fore?

Mayekiso argues these are joint AML-Sanco infrastructural costs to be controlled by a joint trust and dismisses as spurious the raising of "non-existent parties." ■

CRUSADER LIFE

Looking offshore for answers

FM 6/8/93 (58)

Crusader Life's decision to write no new business was expected. Only an ill-informed investor would have offered money to the company but Crulife's real problems are surfacing only now. They could run into tens of millions of rands. Announcement of the decision also signals the end of Anglovaal's dream of building an insurance empire, with only its subsidiary AA Life still functioning.

Just how Crulife managed to turn an apparently sound surplus of R30m last year into a deficit — which an insider calls appalling — this year will take a lot of unravelling. Also to be answered is how Don and Bob Rowand, who ran the company until they resigned earlier this year, persuaded another life office — Old Mutual has been mentioned — to buy part of the shareholdings held in a Rowand family trust — at R3,20 a share. Before Crulife's JSE suspension, which is likely to be permanent, the shares were quoted at R1,35.

Also, why the smoke screen about losses incurred through Crulife's investment in UK assurer Pegasus? These losses, at the latest assessment, amount to less than £500 000, which, on purely an equity basis, means Crulife would need to bear only 14%.

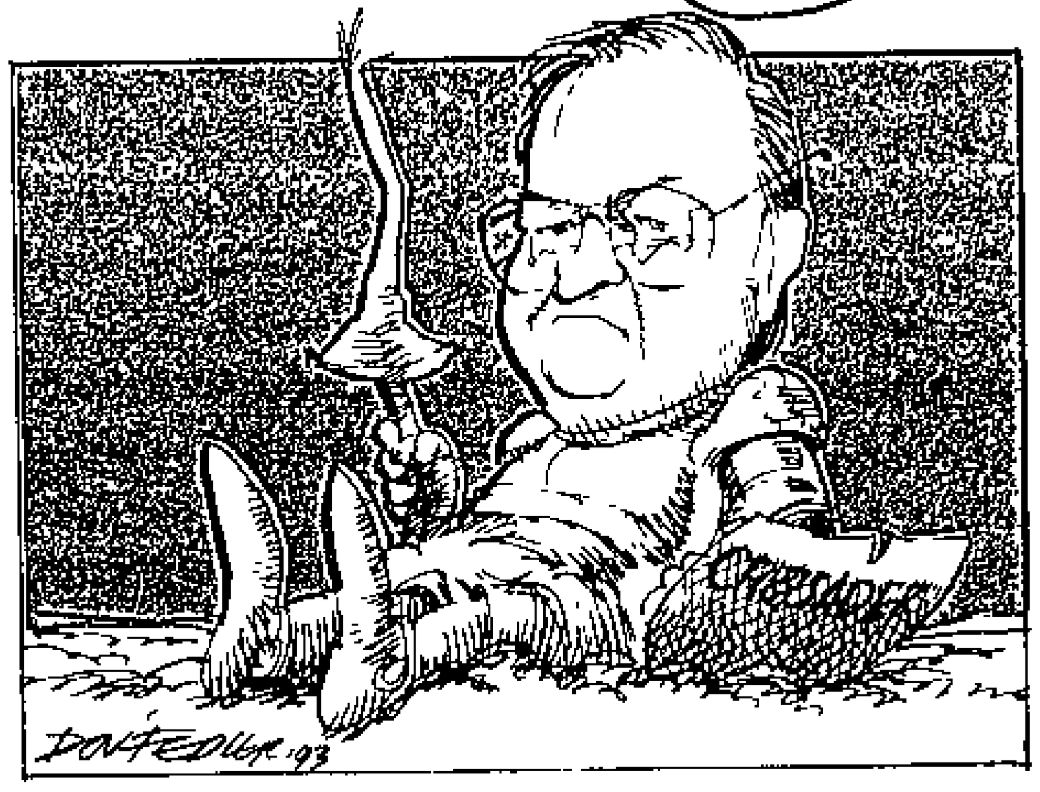
Pegasus CE Peter Simkins disputes some of Crulife's assessments of Pegasus, claiming the value of his company is rising, not falling.

The Pegasus mess was found after inquiries by Crulife consultant Monty Hilkowitz, but it really does not account for the sheer volume of Crulife's financial picture. Unless, that is, the reason for the Pegasus investment conceals other activities. Nor, though a severe knock, can it explain why Crulife, valued at R80m four months ago is now almost worthless.

There is not much experience of "running off" the books of life offices. In the case of Magnum Life, this became a closed fund, ran off its obligations successfully and recently reappeared as a vehicle for Momentum Life's drive into health insurance. Sentry and Universal are other examples of closed assurance funds.

If it were ever necessary for the Financial Services Board to apply for the winding up of a life office, the Insurance Act is specific that policyholders have first claim on all assets.

Crulife is not ceasing operations; so it is being managed down, not wound up. If the valuator's report, expected in about two months, reveals some balance between assets and liabilities, it is even possible the shareholders will eventually get something back. Says CE David de Beer: "Costs will be reduced, which will affect the earlier forecasts." Also, there's likely to be a high rate of policy lapsing, which would increase the pool



from which the company can meet other claims.

De Beer hints that problems other than Pegasus and the effects of new business strain will emerge.

Don and Bob Rowand became involved in Crulife — then known as Security Life — in the early Eighties. In 1990, says Don Rowand, he was approached by Brian Benfield, then heading AA Life, acting on behalf of Anglovaal. Subsequently, Avins (Anglovaal Insurance) bought 60% of Crulife in exchange for Avins' paper. The Rowands ended up holding a mixture of Avins and Crulife shares.

He says his resignation on March 24 was "for personal reasons." He confirms that he and his brother, through a trust, held about 4% of the issued equity in Crulife — about 1,2m shares — and acknowledges: "I did sell some shares prior to my resignation but nothing significant. After my resignation was public knowledge, I treated the holding in Crulife as I would any other investment." The remaining Crulife shares in the trust were sold in April. The trust still holds about 1,4m Avins shares.

Meanwhile, AA Life, the other Avins life office, is distancing itself from Crulife (and Avins') problems. MD Joe Gates says recent publicity has had little effect on AA Life's market and the company trades satisfactorily. Also, AA Life's Springbok investment portfolio, which was a cause of concern, "has turned the corner." AA Life does not want to get caught in the slipstream of Crulife but Gates believes that, with all the listed shares in the insurance group suspended, his company, which is not quoted on the JSE, will carry on as usual.

Bryan Deans

COMPANY LAW

All change

New legislation could undermine the concept of limited liability for corporates. This issue was raised at a high-powered conference last week on the future of SA corporate law. Michael Katz, partner at Edward Nathan & Friedland and authority on company law says this shouldn't be interpreted to mean the principle of limited liability will be removed, but there may be areas where the protections it provides should be lifted.

An example, he suggests, is where parties running a group have themselves disregarded corporate boundaries and have shuffled assets between companies in a group.

The existing system of corporate governance — the relationship between investors, investment institutions, directors, managers and employees — is so flawed that Louise Tager, chairman of the Business Practices Committee, called for the present Companies Act to be repealed and replaced by radically different legislation.

That's not in line with the thinking of Katz and Judge Richard Goldstone, chairman of the standing advisory committee on company law. Katz concedes company law requires modification but only over a period, after comprehensive consultation.

Three-day conference

The three-day conference, attended by 200 delegates, included leading international company and corporate law academics. And the outcome will be a research programme, to be conducted by the Co-ordinating Research Institute for Corporate Law.

The first decision is which legal system should be used as a model. SA has followed developments in British company law; the present 1973 Act is a pale imitation of an earlier UK statute (since overtaken by a 1985 Act). It might be more appropriate to follow trends in the US or EC and to take into account local needs and, perhaps, the emergence of a subcontinental trading bloc.

Future legislation may be contained in two separate Acts. "There are deficiencies," says Katz, "in regulating, in a single statute, both the giants of commerce and industry and significantly smaller companies." The conference considered the proposal that the Companies Act regulate the affairs of a typical company and a Securities Act deal with takeovers, mergers, corporate combinations, public offerings and insider trading.

It is, of course, one thing to legislate and another to ensure the law is observed. The best substantive laws become dead letters if there's inadequate enforcement and Katz says there's a limit to what regulators can achieve, however well staffed the departments may be and however well qualified the people in them.

Tager agrees. She believes ultimate responsibility rests with directors and wants to see provisions obliging them to act appropri-

FM 6/8/93

ately. Katz says he can envisage special enforcement powers, class actions for shareholders and an enhancement of the powers of the Securities Regulation Panel. Minority shareholder protection requires access to the law in a cheap, cost-effective manner.

Whatever else businessmen may be contemplating, they should be aware that the national debate about how their companies will be required to behave in the future has already been joined. *David Gleason*

FM 6/8/93

INTEREST RATES

Little cheer

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Financial markets are wary. Though inflation is falling, money supply stable and the gold price rising, at the start of the week only the gold board reflected optimism. The money market was hesitant, the industrial index dithering and the rand in decline (see box). The bond market has been bullish for several months but the signals are mixed. Though it is an indication that foreign interest in gilts is continuing and inflationary expectations are falling, it also reflects pessimism about future demand in the economy.

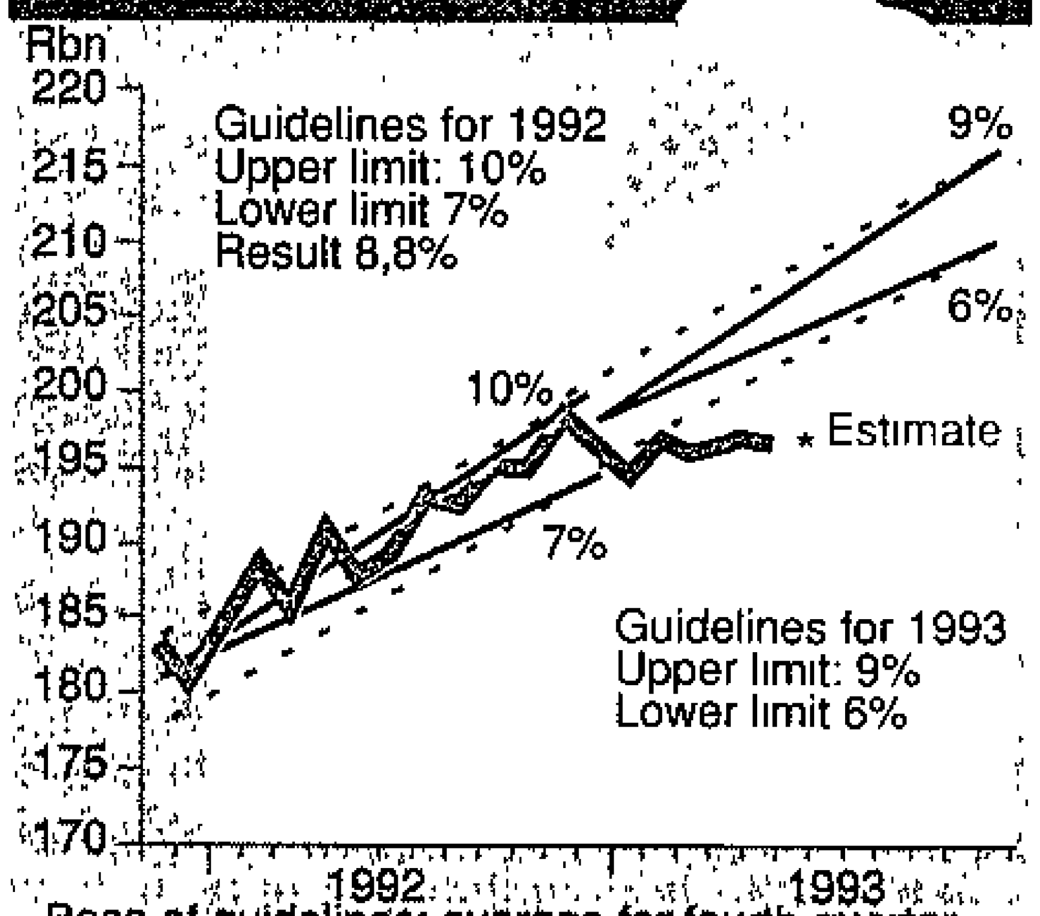
Growth prospects are uncertain but the outlook for lower interest rates is improving.

It's been a long time since inflationary pressures have been so low. Probably not since the early Seventies, before the Opec-inspired oil shock sent the world reeling into an inflationary spiral and pushed SA's inflation rate into double digits — 11,4% in June 1974. Figures published last week confirm the downtrend. According to Central Statistical Service, the official inflation rate for June was lower than in May (see box), and the Reserve Bank reports that money supply growth continues way below target (see graph).

Reserve Bank Governor Chris Stals will move cautiously, for two good reasons: a fall

Falling out of the cone

M3 growth - seasonally adjusted



Base of guidelines: average for fourth quarter
Seasonally adjusted
Source: Reserve Bank

in the pattern of interest rates would encourage more domestic borrowers to look to local sources of funding, rather than to offshore markets; and it would stimulate demand for imports. Both developments would put pressure on the nation's gross gold and foreign exchange reserves.

These have been vulnerable since last August when political events triggered outflows on the capital account. Combined with repayments of debt due over the past six months, these drained the level of reserves. The outlook will become clearer this week with the publication of figures for July's end.

The problem is that a vital precondition for growth is absent. As battle lines carve the country into an increasing number of warring factions, confidence in the future is fragile. The scene is set domestically for an economic recovery, with renewed growth in the UK and the US promising to boost export demand, but the critical levels of violence will have to be reduced and a broadly acceptable government installed before the business cycle will really turn. ■

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FACTS AND FIGURES

Growth in the broad money supply aggregate M3 continues to fall well below the target range of 6%-9%. Provisional figures for June show that, measured from the base of the current target year in mid-November, M3 grew a seasonally adjusted annualised 0,13%. Over 12 months it rose 3,95%.

The official inflation rate — a 12-month rise in the consumer price index — for June was reported at 10%, which is 0,6 percentage points lower than in the previous month. With food inflation subdued (see P36) and international oil prices below US$17 a barrel, inflation is expected to move back into single digits and stay there for some time.

But, in the money market, this news was countered last week by a build-up in the money market shortage from R2,5bn on Monday to R4,7bn on Friday.

So the rate on three-month bankers' acceptances remained at 11,85% and that on three-month certificates of deposits fell only 0,05 percentage points to 12,05%.

The rate on the Eskom 168, which has fallen from more than 15% in April, dropped through the 14% barrier to a 13,96% close on Friday — though by Monday it was once again above 14%.

The surge in the gold price to above $400/oz last Friday pushed the JSE All Gold index up 100 points to close at 2 098 (on Monday it slipped slightly to 2 071). But the Industrial index moved up a bare 24 points to close at 4 598 (and on Monday was up again slightly to 4 611).

The exchange rate of the rand fell from $/R3,3640 at Thursday's close to $/R3,3777 at Friday's (on Monday it was marginally improved at $/R3,3610).

CURRENCIES

Out of orbit

Is it the end of the ambition of European convergence towards economic and monetary union? Or was German Economics Minister Gunther Rexrodt right? He saw it as "a pause for breath on the road. The goal itself is not endangered."

The Bundesbank Council last week reduced the Lombard rate — charged to banks against collateral of securities for three-month money — by half-a-percentage-point to 7,75%. But it refused to drop the floor discount rate which persuaded markets that the Bundesbank was not committed to the EMS while German inflation remains above 4%. This turned the run on the franc, peseta, Danish krone and Belgian franc *(FM* July 30) into a rout.

The "solution" announced at 2 am on Monday, after an emergency meeting of EC finance ministers and central bankers, was the most radical yet. Described as the second worst option, by Dutch Finance Minister Wim Kok, it was hammered out by EC Ministers in Brussels as an effective free float of all currencies in the ERM — apart from the D-mark and guilder.

Structurally, the ERM stays in place but the broadening of the floor-ceiling bands to 15% either side of the central rate (from 2,25% for the hard currencies and 6% for the peseta and escudo) means it is temporarily suspended.

Market reactions differed widely from those which followed September's shake-up. There was no repeat of sterling's 15% dive and no surge on equity markets in anticipation of quick interest rate cuts. Equities did touch new highs in Madrid and Paris as bond prices rose, but the movements were limited to a range around 2%.

The unleashed currencies showed declines against the previous central D-mark rate — nearly 6% for the French franc, 5% for the Belgian, and 8% for the Danish krone. The peseta, already 18% below September's level as a result of three formal realignments, fell fastest with 9,2% — now 25% cheaper in D-marks than 10 months ago; the escudo lost 8,4% which, after two previous devaluations, means a total weakening of 19%.

Ireland's punt, devalued by 10% in January, actually gained 1%. The pound, which temporarily acquired safe-haven status, held steady: it has clawed back almost half the loss suffered after Black Wednesday and is now about 14% below the central D-mark

Commercial Union cautions shareholders

CHARLOTTE MATHEWS

SHORT-term insurance and life assurance group Commercial Union reported a profitable six months to June 30 1993.

But shareholders were warned that the effects of increased competition and tougher conditions were already being felt in the short-term market.

Gross premium income for the group increased by a third to R708,57m in the first half of the financial year from R528,96m in the same period in 1992.

This translated into net income before tax of R47,41m. The previous figure was R40,86m.

BiDay 6/8/93

Attributable income was 10% higher at R33,56m from R30,49m in 1992.

Earnings improved to 335,6c a share, against 304,9c in 1992.

The dividend was improved by 60% to 80c (50c).

Commercial Union's directors said that this increase was intended to reduce the disparity between the interim and final dividends.

The board advised shareholders not to expect a similar increase in the final dividend.

Commercial Union Insurance improved gross premiums written to R335,29m from R297,57m on which an underwriting surplus of R15,18m (R10,95m) was achieved.

Commercial and industrial business remained under pressure because of the competitive market.

But the fire and motor accounts performed well, the directors said.

Premium income experienced competitive pressure in the personal lines market and was affected by the current economic climate which had seen many policyholders decide to self-insure.

Commercial Union MD John Kinvig said it had been offering higher excesses or reduced cover, among other strategies, in reaction to this trend.

He strongly urged individuals not to abandon cover altogether.

"If the average person loses his house and the contents, and his car, then he stands little chance of recovering financially," Kinvig said.

(58)

"He should rather explore the possibility of taking out cover that is more restricted and carry losses which he can sustain," he added.

New annual and single premiums before reassurance at Commercial Union Life Assurance more than doubled in total to R258,60m in the first six months from R123,36m in 1992.

This improvement was driven by stronger investment premium sales, both from the employee benefits and the individual life divisions.

In the six-month period Commercial Union's net total assets grew by 18,0% to R3,518bn from R3,007bn. The net taxed surplus attributable to shareholders at the half year was R6,0m.

The full year's net taxed surplus is dependent on year-end valuations and policyholder bonus declarations.

The directors were confident, however, that an improved surplus would be achieved.

Crisis over collapse of Crusader Life

SB

ARG 7/8/93

BRUCE CAMERON
Business Staff

THE main players in the collapse of the health insurance company Crusader Life are keeping their lips sealed on key issues that have left thousands of policy-holders in the dark.

Managing-director David de Beer insists that the interests of policy-holders are not at risk and denied rumours of possible liquidation.

Two investigations are already under way — including one by the Johannesburg Stock Exchange into insider-trading — and a number of court actions are threatened.

However, Financial Services Board insurance manager F J Opperman said in any liquidation policy-holders would receive priority over shareholders.

Mr De Beer said the position of Crusader Life was being jointly assessed by the company's own actuaries and an independent actuary.

Results of the investigation should be known within about 10 days.

The initial investigation by the JSE should be completed next week.

So far it has been indicated that Crusader Life will stop trading and is to be declared a closed fund — in which the existing policies will continue to be managed.

It is understood that a recent change in the company actuaries resulted in the sudden volte-face in Crusader Life, which only six months ago was predicting further good results

The company, however, blamed poor performance of its overseas arm Pegasus for the turnaround when its collapse was announced last week.

Pegasus has since issued a statement denying that it had made losses and is threatening to sue Crusader Life for making the claim, particularly as it made the claim before Pegasus had made public its own annual report

Mr De Beer refused to comment on this issue.

Old Mutual, which bought up thousands of shares in the insurance company to give it an estimated four-percent stake in the company only weeks before its collapse, is refusing say what it will be doing to recover losses on the investment of its policy-holders money.

Senior investment manager Arnie Shapiro refused to comment.

But a Cape Town minority shareholder has already signalled that he will be suing the company because of mismanagement.

Mr de Beer said he did not know of any legal action by minority shareholders and denied claims being made by some stockbrokers that Crusader was being effectively shut down to frustrate legal action.

Stockbrokers were were asking a number of questions about the company yesterday — including why holding company Anglovaal Insurance was prepared to pump extra capital into AA Life, which has been taking a knock recently because of poor performance, on behalf of policy holders.

There were also question marks about the reasons why the sons of the company founder, Don and Bob Rowand, suddenly resigned as executive chairman and managing-director respectively a few months ago.

In an interview, Bob Rowand declined to comment on the affair, including the JSE investigation into insider-trading.

Former member of parliament Marius Barnard, brother of heart transplant pioneer Chris Barnard, a non-executive director of the company, said he was shocked when he told of the collapse of Crusader Life at a board meeting last Thursday.

Dr Barnard, who appeared in many of the advertisements promoting the company and its policies, said there had been nothing wrong with the policies. The products had been good and had sold well.

He felt that in the new South Africa people would increasingly be faced with the prospect of covering a greater portion of health expenses.

It is for this reason that health insurance would become increasingly important.

Tempora pretax income up 140%

BIDay ANDREW KRUMM

INVESTMENT holding company Tempora Investments has posted a 140% jump in pretax income to R19,7m for the year to end-June.

This follows a rights issue in April, which increased the number of shares in issue to 40,96-million (27,3-million). Earnings a share rose to 50,6c (36,4c). 9/8/93

The R15,1m attributable profit could not fund both the increased dividend payment of R11,2m (R7m) and a R6,5m extraordinary loss so R3,7m was transferred from non-distributable reserves.

Tempora's stakes in Saficon Investments, Saker's Finance and Investment, Seardel Investment and Seardel Consolidated Holdings, costing R20,1m, were sold to DAB Investments for R13,5m after year-end, resulting in the R6,5m loss. (58)

Star 9/8/93

Crulife backs off

THE main players in the collapse of the health insurance company Crusader Life are keeping their lips sealed on key issues.

■ BUSINESS STAFF

Crusader Life's policyholders are not at risk, says managing director David de Beer, who has also denied rumours of possible liquidation.

Two investigations are now under way, including one by the Johannesburg Stock Exchange into insider trading, and a number of court actions are threatened.

However, Financial Services Board insurance manager FJ Opperman says policyholders would receive priority over shareholders in any liquidation.

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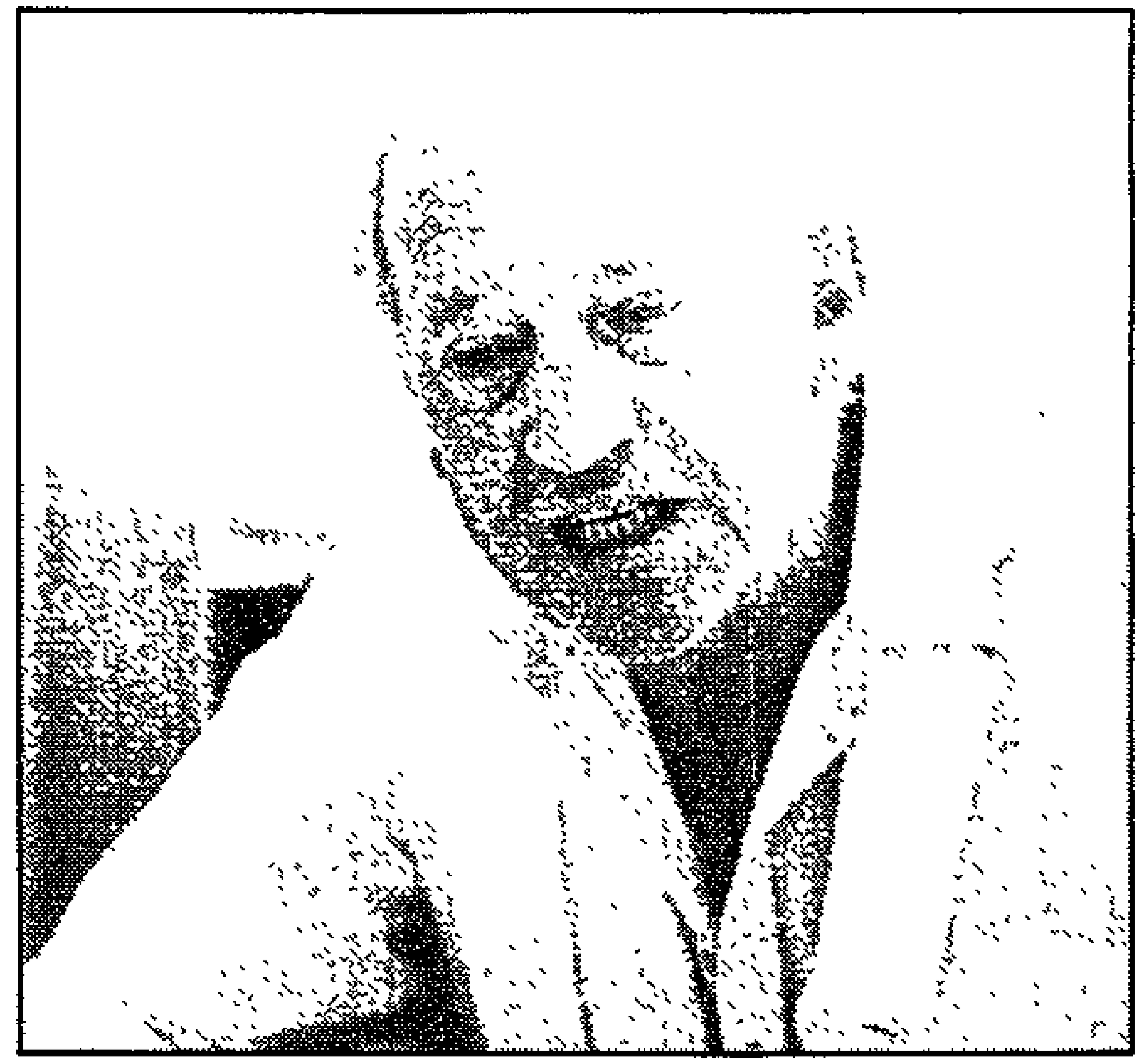

Marius Barnard . . . appeared in advertisements for the company.

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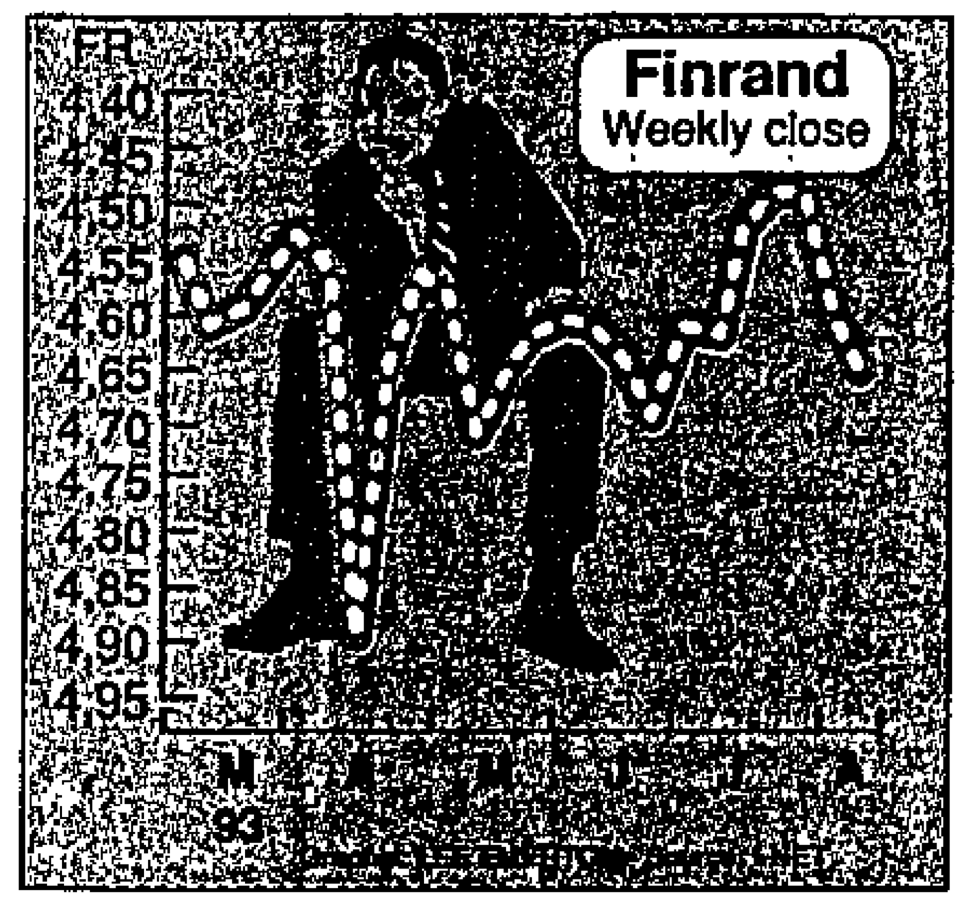


Sharp weakening of bond market

BDay 9/8/93

TIM MARSLAND

THE bond market weakened sharply across the board on Friday and the financial rand also fell against the dollar in negative sentiment linked to the fall in the gold price, dealers said.

Bond market dealers said gold's fall had brought SA's reserves problem sharply into focus.

"With the declining gold price, the chances of a quick cut in interest rates have receded," a dealer said.

(58)

Another dealer said the market had been looking for an excuse to correct upwards after the recent strong bull run.

He said it was unlikely the current reversal pointed to a bear market and expected key long bonds to consolidate again around the 14% level.

Among long bonds, the popular Eskom 168 closed at 14,17% from an overnight 14,04%, while government's R150 ended at 14,185% from 14,05%. Medium-dated bond rates showed similar rises.

The finrand continued Thursday's losing streak to close on Friday at R4,660 to the dollar from R4,5950. It hit a low of R4,69 in early trade, but some US demand filtered through, lifting the unit.

A dealer said the fall was due to the unit being sold down in local interbank dealings. While the finrand was designed for foreign investment only, local banks have been allowed to hold limited finrand balances to help their trading of the unit.

The dealer said Friday's volumes were thin, and foreign activity limited.

The commercial rand ended at R3,3670 from R3,3683.

Banks expect intense home loan competition

B/Day 10/8/93.

SHARON WOOD

THE "big four" banks expect competition in the home loan market to be as intense as it was last year.

They expect the home loan market to be the only area of growth in credit demand, with demand for overdrafts and loans remaining stagnant. (58)

But few expect a pre-emptive mortgage rate cut to spur competition.

The home loan market showed growth of about 17% to R77,6bn in the year to April 1993. Standard Bank had the largest annual increase of 45% to R12,8bn, lifting its market share four percentage points to 16,5%. FNB's home loans increased by 27,5% to R8,2bn, Absa's by 11,1% to R32,4bn and Nedcor's by 10,3% to R18,2bn.

Analysts said the reason demand for mortgage loans continued to advance in the face of stagnant credit demand was the attraction of lower interest rates.

One analyst said that FNB was the only bank that could afford to cut its bond rate ahead of a Bank rate cut. It had the smallest book of the big four, with home loans contributing just more than R8bn.

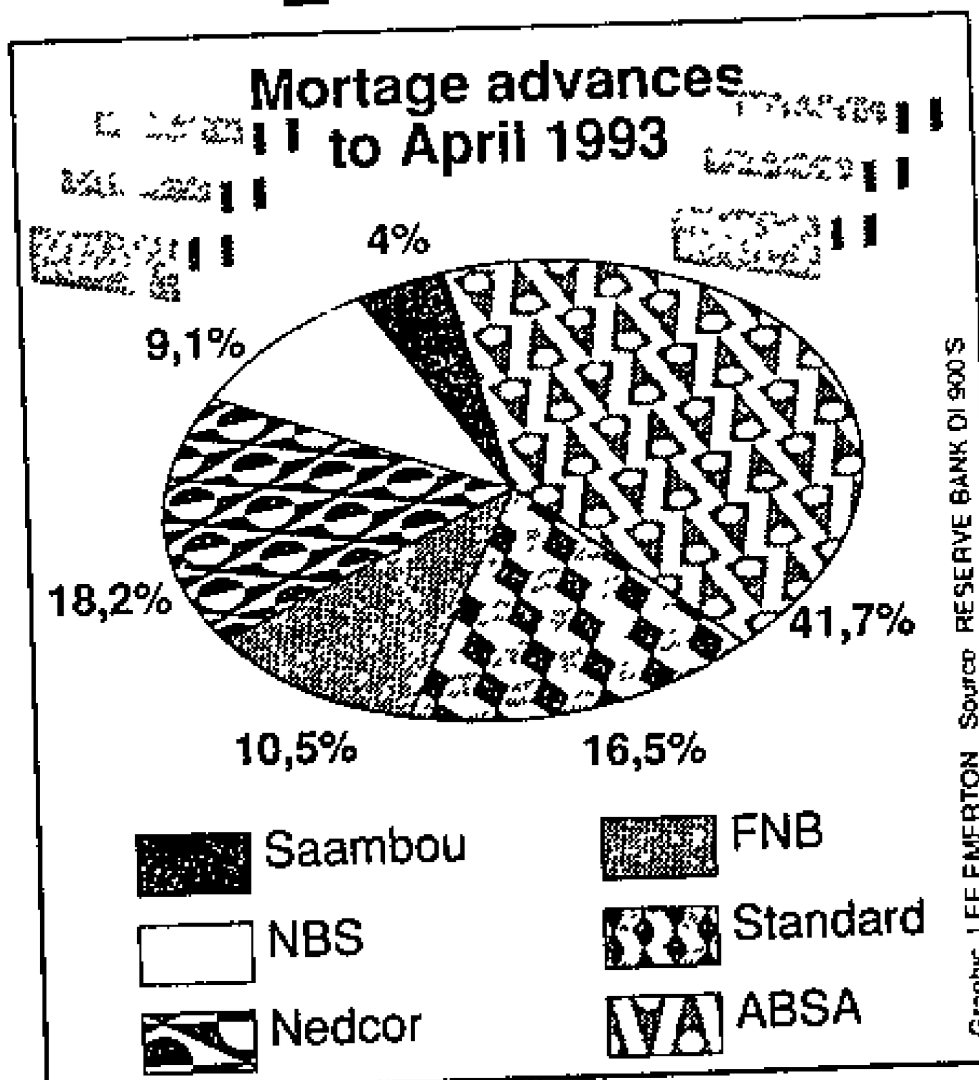
Absa marketing development GM Tienie van der Berg predicted that the bond market would increase by between 15% and 18% this year.

An FNB spokesman said competition in the traditional mortgage market would remain intense.

He said the growth in the market would be natural, rather than predatory.

Standard Bank home loans GM Duncan Reekie said there were still lending opportunities in the market, especially in the below R300 000 category.

The group's recent interim results show there would have been virtually no local asset growth if mortgages had not increased by the reported 18% in the six months to June 30.



Perm executive GM David Harrison believed competition would be as intense and there would be an increase in the market, but a "great deal" would be from poaching other banks' business.

In contrast to the expectations of the "big four", NBS Bank home loans GM Trevor Olivier expected competition to ease off slightly. He expected NBS Bank's market share to remain stable or increase slightly. "Major banks have expanded their home loan books to such an extent . . . it is beginning to have an impact on profit."

Nedbank commercial banking assistant GM Tom Bangert said competition would be as tough, if not more, as last year. He said banks could not afford to cut the bond rate before a Bank rate cut because there was a squeeze on margins. The bank was looking to increase market share.

Market to lead the way — Stals

CT 10/8/93 (58)

JOHANNESBURG. — The Reserve Bank wanted the market, rather than a Bank rate cut, to lead the way towards lower interest rates, Reserve Bank governor Chris Stals said yesterday.

The Bank's decision last week to ease the reserve requirement was part of a long term structural change in its operations and payed the way for the market to lower interest rates first, Stals said.

In the past, the Reseve Bank had cut the Bank rate and then used other methods to bring the market into equilibrium. "Now we rather want to cut Bank rate to endorse trends in the money market."

Stals said current trends in the money market were encouraging. However the money market shortage was still too large and would need to come down slightly before the official interest rate could be lowered. He did not rule out a cut in interest rates before the end of the year.

The decison to cut the Bank rate also depended on what happened to the gold price, the exchange rate and the political situation. Stals was optimistic about the performance of the reserves in the coming months. Most of SA's loan commitments for the year had been repaid and the current account surplus also looked good.

Stals said the R1,2bn fall in "other liabilities" in the Bank's July balance sheet was not necessarily attributable to the repayment of R2,1bn in short-term loans the bank had taken out earlier in the year. But some repayments had already been made.

Asked whether a Bank rate cut would be considered only when reserves covered at least 2,5 months of imports, Stals said there was no hard and fast rule. Organisations like the IMF preferred countries to have at least three months' import cover, but SA could make a good case for a lower import cover as it was a large producer of gold, which was "as good as foreign exchange".

The SA Chamber of Business (Sacob), which yesterday held talks with Stals on monetary policy, said a cut in interest rates should be co-ordinated with other announcements to boost "fragile" business and consumer confidence.

Although the business community would welcome lower interest rates it is doubtful whether this, by itself, would stimulate the economy sufficiently, Sacob said.

The Sacob discussion with Stals centred round Sacob's assessment of:

- The state of the economy and prospects for the coming year;
- Obstacles and threats to the attainment of higher growth; and
- The extent, if any, to which changes in monetary policy could improve the growth potential of the economy in the short to medium term without undermining growth prospects in the longer term.

Holders angered by Liberty policy fee

BIDay

CHARLOTTE MATHEWS

LIBERTY Life's introduction of a R120 charge for changes to life assurance policies has produced an angry reaction from policyholders and some independent brokers but Liberty said it had taken the decision in the best interests of policyholders.

Brantam Financial Services Group MD Derek Sumption said this was the first time that Liberty Life had started to charge "up front". "They will not process a change unless the client puts up a cheque for R120."

(58)

His major objection was that there should be a cut-off date to protect policyholders who had held their policies for ten years.

"On the back of its policies — and I'm quoting from my own — it says Liberty guarantees that administrative and management fees will not be increased during the life of the contract.

"I know a lot of independent brokers feel unhappy about this," Sumption said. "I feel I have no control over what Liberty does in the future and it puts me in an invidious position."

Another industry source said his broking house had not been approached by policyholders about the matter but he believed they had taken this up directly with Liberty Life.

He added that other companies would probably follow Liberty's example in time.

11/8/93

Liberty Life individual business division deputy GM, marketing and legal services, Gavin Came said Liberty's decision to raise the charges for certain non-contractual services has been introduced to protect policyholders who do not make regular use of administrative services.

For years Liberty Life, like most other financial institutions, recovered administration costs from policyholders, whether or not they used a service, by reducing the returns paid to them or through a largely hidden charge raised against the investment value of an individual's policy.

The service fee for contractual transactions such as loans, changes in beneficiaries and addresses, maturity and claims processing has not been increased.

Hyprop posts turnover decline

ROBYN CHALMERS

ONGOING difficult conditions in the property market and increased vacancies saw property loan stock company Hyprop's turnover drop to R11,4m for the six months to end-June from R12,1m. BiDay

In spite of lower turnover, cost control helped the organisation increase operating income marginally to R8,54m (R8,5m).

But interest received dropped by almost a third, leading to a dramatic pre-tax profit drop to R23 000 from R618 000.

Taxed profit slumped to R20 000 from R618 000 and the total return a combined unit fell 7,3% to 30,37c from 32,95c.

Notwithstanding general market conditions, the retail component of the Hyprop portfolio showed a R269 000 increase to R6,6m, which directors said was mainly due to the contribution of the Hyde Park shopping centre. 11/8/93

Directors said following the good performance of the shopping centre, the board had approved the extension of this flagship property. As announced last week, it would be financed by way of a rights issue, offering new combined units of ordinary shares and debentures.

Major tenants Pick 'n Pay, Exclusive Books and CNA as well as another four cinemas and about 50 new shops would form the nucleus of the new extension.

"The opportunity offered by the expansion, the need to resolve parking congestion and opportunities offered by the further enhancement of the tenant mix, are the primary reasons for undertaking the extension to Hyde Park now.

"The enlarged centre will attract more customers from a larger catchment area and provide support for the existing tenants, resulting in enhanced growth."

The company would continue with the refurbishment of its current property portfolio to enhance its value and maintain the properties.

(58)

Directors said the difficult conditions experienced in the property market in 1992 had continued into 1993.

The service sector had contracted further, leading to a reduced demand for office space.

However, the extension to the Hyde Park shopping centre was expected to boost future growth.

They said that on completion of the extension, the operating income earned from retail components of the property portfolio would increase to 85% from 68%.

Insurers need to get on right side of blacks

Star 11/8/93

■ BY THABO LESHILO

A lot of educational work needs to be done to change the negative perceptions blacks have of the insurance industry, says XB Holdings executive chairman Moss Nxumalo.

Nxumalo said yesterday there was a deep-seated mistrust of the industry because of past experience with unscrupulous brokers and companies.

Another indictment against the traditionally white industry, he said, was its failure to understand the special needs of ordinary township residents and the tendency to charge them exorbitant premiums.

(58)

This, he said, accounted for the reluctance of blacks to buy insurance.

"This is what gears me up," he said.

His company, he said, did not take readily designed products such as endowment policies to sell them from one house to another.

"We develop special products that are tailored to cover the special needs of our people."

Moss Nxumalo says blacks do not trust insurers.
Picture: JohnnyOnverwacht

The insurance needs of someone living in a four-roomed house in Soweto are not the same as those of the more affluent residents of Parktown, said Nxumalo.

He said burglary was rarer in the townships than it was in town.

Traditional insurance companies, however, remained blind to the fact and continued to charge township residents higher premiums.

XB, Nxumalo said, charged the same rate for home insurance, irrespective of whether the client was in the volatile township of Tokoza or in the relatively safer white areas.

He talked with pride about the company's funeral scheme,which caters for the unique needs of black people.

Called the XB People's Societies National Funeral Scheme, the scheme caters for extended families — even polygamous marriages.

Up to 49 family members, including children of relatives, as well as parents-in-law, are covered under the scheme.

R36 million AA Mutual payout

Business Staff (58) ARG 12/8/93

CREDITORS of AA Mutual short-term insurance division — which was wound up in mid-1986 after the most spectacular corporate crash of its time — are to receive a dividend later this year which will bring total dividends paid to 100c in the rand.

A spokesman for the liquidators says more than 210 000 cheques to the value of almost R36 million are to be mailed after November 1 in the 13th distribution since the motor insurer went to the wall. The dividend is 20c in the rand.

Claims of less than R20 will not be paid out but will again be retained until a final account is drawn up, which is expected to take place about the begining of 1995.

A final payment to compensate creditors for interest lost on their money will then be paid from surplus funds left in the cumulative pool.

The spokesman appealed to the 40 000-odd creditors who, for one reason or another, have not collected dividend cheques since the liquidation, to do so. About R11 million was outstanding, with probably another R3 million likely to remain uncollected in the latest distribution.

If the money was not paid out, he predicted the liquidators would be obliged to pay more than R15 million to the government-run Guardian Fund.

SA Eagle lifts underwriting surplus

B/Day

CHARLOTTE MATHEWS

SHORT-term insurer SA Eagle improved its underwriting surplus in the six months to June 30 1993 but was affected by the economic downturn and competitive market, MD Peter Martin said. 12/8/93

Gross written premiums lifted to R487,7m (R464,8m), on which a R3,7m (R964 000)underwriting surplus was made. Investment income declined to R33,4m (R34,9m). (58)

Net income after tax improved to R25,4m from R23,3m. An abnormal tax credit of R4,3m lifted net income attributable to members to R29,7m (R23,2m), which translated into earnings of 244,0c (190,7c) a share. The dividend was increased to 80c (75c).

Possible Southern rights issue knocks share price

B/Day

CHARLOTTE MATHEWS

SPECULATION that insurers Southern Life may be planning a rights issue has knocked the company's share price from a high of about R29 to R25,25, sources said yesterday.

An analyst at stockbrokers Edey Rogers said the reasons for the decline in Southern's share price were difficult to identify but at least one major seller had offloaded large volumes of stock. 12/8/93

Among the issues said to be depressing the price include a possible rights issue within the next year.

While Southern has been able to finance growth in its asset base from internal capital so far, its directors have said new capital would be raised when needed to fund new business growth. (58)

There would be no dilution of earnings or dividends as a result of such an issue, the analyst said, and the experience of other major life assurers holding rights issues had been neutral to positive for their share prices.

In the year to March 1994 Southern's nominal dividend growth was expected to be close to its historical average of 20%.

However, after that it would probably announce its intention to secure real growth in dividends of about 5%.

Nedcor's newly appointed CE-designate Richard Laubscher. Picture. ROBERT BOTHA

Nedcor move into Africa part of three-pronged plan

B/Day 13/8/93

(58)

SHARON WOOD

NEDCOR's initiative into Africa, soon to be finalised, would be a "joint co-operation agreement" with a major European consortium and would involve no large capital investment by the group, newly appointed CE-designate Richard Laubscher said.

In an interview, he said Nedcor had decided to take a different approach to some of its competitors when venturing into Africa.

Laubscher said the advantages of the deal were that the group would establish a presence on the ground, its partners were experts in conducting business in Africa and Nedcor would be able to keep the capital investment component down. The partners in the deal were already established in "a number of countries" throughout Africa, he said.

The deal was one part of a three-pronged strategy to enter Africa. The other two prongs were a merging with the Commercial Bank of Namibia, of which Société Financiere d'Outre Mer is a majority shareholder, and a minority interest in Zimbabwe's Merchant Bank of Central Africa.

Internationally, Ned-Finance Asia had become a major player in trade relations between the Pacific Rim and SA. In addition, the group was "revitalising" its European operations, he added.

On the home front, Laubscher said, the group was continuing with its strategic plan.

He believed the Perm's problems were largely resolved and said the reason the financial institution had such a good relationship with Sanco was because of the efforts from both sides that had gone into developing it.

The Perm's township exposure was R2,3bn of a total home loan book of R10bn. He said the Perm's balance sheet was not dramatically different in structure to a few years ago.

Laubscher said 90% of the Perm's monthly township home loan payments were made on time because the group had people going into the community.

The Perm would remain actively engaged in the community. He would not say whether it planned to increase or reduce its township exposure, but said wherever there was good, profitable and sustainable business the Perm would increase its market share.

But the services it offered were changing. "Initially the Perm offered pure housing finance, but now the needs of the clients are becoming fully fledged and more sophisticated," he said.

Absa in battle for more home loans

B/Day 13/8/93

ROBYN CHALMERS

ABSA announced yesterday it would pay bond registration costs and waive valuation fees on all home loans issued by United, Allied, Volskas and TrustBank.

The move will cost Absa millions, and is seen by industry experts as a bid to staunch the loss of market share it has experienced in the highly competitive home loan sector. (58)

Absa's market share has dwindled during the past 18 months. Reserve Bank figures show Absa's home loan book accounted for 39,2% of the market in March 1993, against 41,7% in December last year.

Standard Bank picked up the major portion of Absa's lost business, increasing its share from 16,5% in December to 17,3% in March, while FNB's rose to 11% (10,5%). Nedcor took a slight knock, with its share falling from 18,2% to 18% and NBS's portion decreased to 8,2% (9,1%).

An Absa spokesman said the offer would stand for an unspecified period and would not be conditional to applicants operating cheque accounts with the bank. The only condition was that applicant earned at least R4 000 a month.

Standard Bank, FNB and Nedcor have previously gone this route, but the expense proved prohibitive.

FNB was the first to adopt this policy two years ago and continued its campaign for about eight months. Senior GM Norman Axten said FNB still waived fees in isolated cases, but the policy cut too far into profit margins to be justified as a long-term strategy.

Standard Bank assistant home loans GM Fanie Jordaan said the bank ran a special campaign between March and July. The number of home loans granted during this period rose by about 25%.

Perm divisional director Hugh Maclachlan said Nedcor had implemented a policy waiving registration costs and valuation fees in June last year and would continue to do so even though profit margins were being squeezed.

Industry sources said Absa's home loan book was older than most competitors', which meant it had a greater portion of maturities and had to write a greater number of bonds in order to retain its position.

(58)

Raising funds — and hackles

WM 13-19/8/93

Nafcoc's attack on the SBDC has put it centre stage again. Reg Rumney spoke to new president Archie Nkonyeni about the organisation's plans

Nafcoc's Archie Nkonyeni ... Sticking to 3-4-5-6 targets PHOTO: GUY ADAMS

ARCHIE NKONYENI, new president of the National African Federated Chambers of Commerce (Nafcoc), set the tone for his presidency by diving headlong into controversy at the recent annual general meeting.

Nkonyeni's demand for a complete overhaul of the Small Business Development Corporation (SBDC) and his accusation that the SBDC was trapped in a culture of apartheid raised hackles.

Nkonyeni, a considered and articulate man, does not seem inclined to confrontation. For instance, he argues quite reasonably that Nafcoc's response to the reconstruction levy will be determined by its level. "If it is, for example, two percent of income and 0,5 percent of some assets it would be like any other tax. But if the size of that levy is so big that it is a form of indirect redistribution or partial nationalisation Nafcoc would definitely be against it."

The controversy stirred by the SBDC row is rather a reflection of the particular currents within the organisation, the oldest of the two black business groupings in South Africa. By virtue of its stated mission of black economic empowerment against the background of apartheid it is unlikely the organisation could ever avoid controversy.

In 1986, Nkonyeni points out, Nafcoc, which was founded in 1964, lost a lot of its South African corporate sector support for not opposing sanctions.

After that came the 3-4-5-6 targets, whereby Nafcoc demanded that by the turn of the century 30 percent of the boards of listed companies should be black, 40 percent of equity should be in black hands, 50 percent of external supplies be bought from black suppliers, and 60 percent of management should be black.

Most recently, Nafcoc has preceded the African National Congress in softening if not abandoning its position on sanctions. Nkonyeni argues it is only a question of time before sanctions are lifted and foreign investors need to prepare to invest.

As for the most recent war of words, some saw it as an attempt by black business to get handouts rather than properly planned loans, others as a legitimate complaint about a persistent tradition of white paternalism.

The argument over how the SBDC should change with the times also focused attention on Nafcoc itself. Writing in *Beeld*, columnist Curt von Keyserlingk contended that Nafcoc's record as a business undertaking was pathetic and that it had already had three big business failures. He said Blackchain in Soweto had to be rescued, the Soshanguve shop centre was half empty, and the African Bank too had to be bailed out. Von Keyserlingk compared Nafcoc's record with that of the SBDC, and argued the donations to Nafcoc, unlike the money put into the SBDC, had apparently had no results.

Nkonyeni replies that those instances have to be seen against the background of the hostile environment in which black business had to operate.

What is Nafcoc's mandate? Nkonyeni says that Nafcoc has 150 000 claimed members, but paid-up membership is around 20 000.

In its earlier years Nafcoc subsisted on contributions from individual members, particularly its executive, but he admits funding supplies most of Nafcoc's money. Nafcoc gets R120 000 a year from its members, and three times that amount from corporate sponsors and donors.

"In terms of our plans and projects we are looking for three times that amount again."

Nafcoc has recently received money from the Independent Development Trust as well as aid from foreign organisations.

Nafcoc is approaching foreign funders to try to establish a guarantee fund to help cushion the risks of foreign investors who go into joint ventures with black business. "We recognise the risks, but are saying we will do something about it."

Also, Nafcoc plans to form a management leadership development centre. Nafcoc is looking to develop expertise so tokenism is avoided in terms of its 3-4-5-6 plan, which despite criticism it has not abandoned. The 3-4-5-6 targets, says Nkonyeni, are essential. "We must prepare targets and measure our progress in terms of them."

While white business has never openly accepted the targets, Nkonyeni says the number of appointments of blacks to the boards of white-controlled companies signals a quiet acceptance by the corporate sector of the principle.

What of other white fears, raised by the contentious manoeuvres of the Thebe Corporation, such as the return of Digital Equipment Corp into a Thebe-linked joint venture, apparently sidestepping the ANC's sanctions stance?

Nkonyeni argues that foreign investors need to be encouraged to invest in programmes which will contribute to the elimination of the backlog of racial disparities in business.

Though he agrees the need for foreign investment is paramount, he insists this will have to be balanced with the long-term need for change, and sacrifices may have to be made. He sees dangers in investment merely contributing to the continuation of white ownership and control.

Is there not a danger of "cronyism" in this approach, and in Nkonyeni's call for black business to interact with the liberation movement to nurture foreign funding and investment? Will it not lead to money being funnelled into ANC-linked organisations in return for access to South African markets?

Nkonyeni notes there are always dangers of corruption in situations where control is exercised. "There should be acceptable ways of dealing with such issues through the rule of the law and political structures.

"Cronyism is unacceptable regardless of what group is in power, particularly the democratic government of the new South Africa. So much is expected of it."

Bank group waives fees for homes

CT 13/8/93 (58) (123)

Own Correspondent

JOHANNESBURG. — Absa has announced it is to pay bond registration costs and waive valuation fees on all home loans granted by United, Allied, Volkskas and TrustBank.

The move will cost Absa millions and is seen by industry experts as an attempt to staunch the loss of market share it has experienced in the highly competitive home loan sector.

According to Reserve Bank figures, Absa's market share shrank to 39,2% in March 1993 from 41,7% in December.

Standard Bank picked up the major portion of Absa's lost business, increasing its share from 16,5% in December to 17,3% in March, while FNB's rose to 11% (10,5%). Nedcor took a slight knock, with its share falling from 18,2% to 18% and NBS's portion fell to 8,2% (9,1%).

An Absa spokesman said the offer would be in force for an unspecified time.

Standard Bank, FNB and Nedcor have gone this route, but the expenses have proved too prohibitive for them to continue the offer.

Liberty Life's overseas arm impresses

(58) ARLT 14/8/93

LONDON — Trans Atlantic Holdings, Liberty Life's international vehicle, has reported an impressive increase in earnings.

It is benefiting from a revival in the composite insurance market and a gradual improvement in Britain's depressed commercial property sector.

In the six months to June, pretax profits of Trans Atlantic rose 7 percent to £30,2 million. Thanks to a lower tax charge, net after-tax profits soared by 52 percent to £23,2 million.

Earnings jumped 18 percent to 5,98p, while the dividend remained unchanged at 6p. Earnings for the year ended December 1992 were 9,93p, and the dividend was 12p.

Warburg Securities forecasts a price earnings ratio of 32 for this year, with a dividend yield of 3,7 percent. Since the shares were already reflecting an expected improvement in results, they were unchanged at 321p. Yet they have increased by 17 percent in the past two months after the acquisition of a 3 percent stake in the Sun Alliance Group.

"We continue to investigate a number of strategic opportunities to develop our interests in the international life insurance business," said chairman Donald Gordon.

Meanwhile, British insurance company Sun Life experienced a growth in regular premiums of 30 percent to £57,2 million. Growth in single premiums jumped 23 percent to £1,04 billion. There was a sharp increase in market share.

Banks put the squeeze on the little guy

S Times (Buss)

BANKS are making a killing from lending margins which have widened to double pre-recession levels.

Banks are squeezing individual borrowers by keeping interest rates high to offset rising bad debts.

Their business is also under pressure because there is little demand for overdrafts and loans.

The margin — the difference between the cost of raising funds and the rate at which banks lend the funds — has widened to between 4,5% and 5% in the past three months for most new borrowers. Before the recession began in 1989, the margin was 2,25%.

Banks are able to borrow on the money market at 11,7% and lend at prime overdraft of 16,25% — and more. Triple A borrowers can borrow at up to 2% below prime.

The banks say they are waiting for the Reserve Bank to drop bank rate — at which it lends to them. Bank rate is 13%.

Reserve Bank Governor Chris Stals says: "Why should we risk credibility by dropping interest rates when the fundamentals are not in place?

"This would create the wrong psychological effect and expose us to charges of yielding to political pressure. A country which has to finance a budget deficit of 9% of GDP and declining savings must expect high interest rates."

The margin traditionally widens at the start of a recession and narrows at the end. This time, however, the margin has widened and stayed wide.

By CIARAN RYAN

A JSE analyst says deposit rates are falling as banks do not need fresh funds because of poor demand for credit. Banks have increased bad-debt provisions to nearly 3% in some cases, a cost they will want to recover from existing borrowers.

15/8/93

The money market shortage has risen to between R3-billion and R4-billion, reflecting the scarcity of liquidity caused by capital outflows in recent months as foreign debt is repaid.

(58)

The resultant pressure on the reserves is preventing a cut in bank rate — in spite of cheerful inflation news. The producer price index dropped from a year-on-year 7% in May to 6,4% in June, presaging a fall in the consumer price index, now 10%.

Absa group executive for finance Frans du Toit says: "Banking margins are running parallel with the cost of risk. One must look at the margin after bad debts, which are rising."

General manager in charge of treasury at Standard Bank John Lloyd says: "If the Reserve Bank is worried that a bank rate drop would affect reserves why should we be any different?

"Lower reserves also influence the money market. We would like to see the money market shortage down to R2-billion or less before considering dropping our rates. In any event, banking margins are lower than they were last October."

Dr Stals says banking margins are not out of line with market conditions.

"The size of the money market shortage indicates that banks are willing to pay 13% and, in some cases, 14% for funds. The average cost of their funds is therefore not as low as it seems."

Board of Executors economist Rob Lee expects the Reserve Bank to lower rates in the next two months.

"Interest rates are dropping worldwide and our inflation is also falling.

"Concern about the balance of payments is easing with the higher gold price, lower oil prices, the resumption of maize exports, the prospect of sanctions being lifted and possible access to IMF and World Bank funds."

Econometrix's Tony Twine says: "The commercial banks should make the first move and drop their lending rates.

"But one can understand their reluctance to do so. There is virtually no growth in credit demand, so they will want to maximise the return on their existing lending base.

"The Reserve Bank is afraid that it will give the wrong signal to the market by dropping rates too soon. The last thing it wants to do is to reverse an interest-rate move. It is doubtful whether a one percentage point drop in rates will have much impact on the economy."

The gap between prime and bank rate is 3,25%. SA has positive real interest rates — the difference between inflation and prime — of 6,25%, which is in line with Europe. But should inflation continue falling, SA interest rates would become unrealistically high in world terms.

Credit unions mushrooming around SA

SI Times (CG/Metro) 15/8/93

PROUD OWNER ... Credit union member Mr Dougie Solomons with his son, Michael, 5, and some of the articles he has made in his carport
Picture: AMBROSE PETERS

By JESSICA BEZUIDENHOUT

THE fast-growing credit union movement, which offers low-interest loans to members, is enabling more and more people who do not qualify for help from financial institutions to realise their dreams.

The financial co-operatives are owned and controlled democratically by members.

Their purpose is to encourage saving and provide cheap loans to all members, according to Mr Shaun Lotters, chairman of the Savings and Credit Co-operative League of SA (Saccol).

Among those who have benefited is Mr Dougie Solomons, a boilermaker who has realised his dream of owning a home after joining a credit union. His loan has enabled him to finish building his house in a self-help scheme in Belhar.

He said he had "battled for more than three years to get a loan from a bank".

Mr Solomons said he did not qualify for a bank or building society loan and could not get a "decent loan" from the company for which he had worked for 12 years.

Within six months of joining the metalworkers' credit union at work, he received a first loan of R2 000.

He used the money to build a carport, from which he now does odd jobs to supplement his income.

In the self-help scheme, the shells of homes are provided and it is left to residents to complete the house with material supplied by authorities.

"The labour is so expensive that I would not have finished my house without financial assistance of some sort," Mr Solomons said.

He had recently been granted a second loan of R6 000, which he received within three days of applying.

(58)

An advantage of the credit union system was that when a member had repaid his loan, he still had money in the "bank", Mr Solomons said.

Mr Lotters said Mr Solomons's experience was an example of the success of credit unions.

Saccol, which is linked to the World Council of Credit Unions, is the umbrella body for 36 credit unions around the country.

Credit unions also offered life and savings insurance, Mr Lotter said. If a member died, his loan, which was covered by the credit union insurance body, CUNA Mutual Insurance, was written off.

Also, his up-to-date savings were doubled when paid out to his family.

Income

Although credit unions can be based on any "common bond" — for example members of the same organisation or residents of a particular area — they are aimed especially at the low-income group.

"People who have money and security do not experience the same difficulties when applying for a loan with a bank as, for instance, domestic workers do," he said.

Southern-UAL deal replaces Crusader

MADDEN COLE

UAL Merchant Bank and the Southern Life Association yesterday announced an agreement to market an equity-linked annuity. The life annuity replaces that previously marketed by UAL and underwritten by Crusader Life. B/Day

The need for UAL to seek an underwriter arose from Crusader Life ceasing to transact new business earlier this month. 17/8/93

UAL investment planning services chairman Clive Turner said no other UAL product or unit trust had been affected. (58)

Shares in Crusader Life, its holding company Avins and AVF Group were suspended late last month, followed by the announcement that Crusader would write no new business.

It was reported yesterday that the suspension of Crusader and Avins had been extended until October 12 or until the companies' updated financial positions were received by the JSE. AVF Group's suspension was lifted two weeks ago.

Absa puts stress on staff ethics (58)

Business Editor CT 17/8/93

AMALGAMATED Banks of SA (Absa) has issued a management fact sheet stressing the importance of ethics in business.

It tells executives: "A formal manual or reference guide is non-existent. You have to use personal judgment. Without ethics the whole infrastructure of business could crumble — based as it is on contractual agreements.

"A degree of trust in the ethical standards of business partners or associates is therefore essential."

The fact sheet gives examples of "workplace issues in which ethical questions come to the fore."

These include the theoretical example: "You are interviewing a bank supervisor who has just left the opposition.

"He is not the best applicant for the job, although if pressed he would tell you about the opposition's plans for the coming year.

"Would you hire him? And to what extent would you go to obtain this information?

"Ethics," it warns, "often come down to personal decisions that may affect the corporate image of the organisation."

BUSINESS DAY, Tuesday, August 17 1993

Opinion is divided on insurance issue

BDay 17/8/93

CHARLOTTE MATHEWS

A DECISION has still to be taken by the life assurance industry on whether to allow multiple withdrawals against life assurance policies. Some argue this is a policyholder's right while others say this puts life assurers in the same arena as banks and will necessitate similar regulations.

The issue would be discussed by the Life Offices Association and the Financial Services Board, FSB assistant manager, long-term assurance Francois Jooste said.

Opinion was divided on whether policyholders should be allowed to borrow against or partially surrender policies several times. (58)

It was argued that assurance products would appear more attractive than bank products because policyholders' funds would be taxed at the 30% average provisional rate. For those in the top tax band of 43%, this could mean a saving of about 13 percentage points. Also, life assurance products would be more attractive as a 15% return could be projected.

The new regulations, to come into force on January 1 1994, would provide for withdrawals from the policy only after the first five years or one loan and one partial surrender during the first five years, the combined value of which should not exceed premiums plus 5% compound interest. This regulation would fall away if assurers advanced good reasons against it.

Jooste said: "The shorter the term and the greater the access to the invested funds, the greater the approximation of life products to deposit-taking products.

"What it boils down to is that the five-year restriction of access is intended to demarcate the market of the long-term savings industry and that of the life industry."

Old Mutual chief actuary Theo Hartwig said multiple withdrawal products should not be allowed because banks, which did shorter-term business than life assurers were subject to various controls. "Life assurers have been free from deposit-taking requirements on the grounds that they do not do business for terms of under five years ... ".

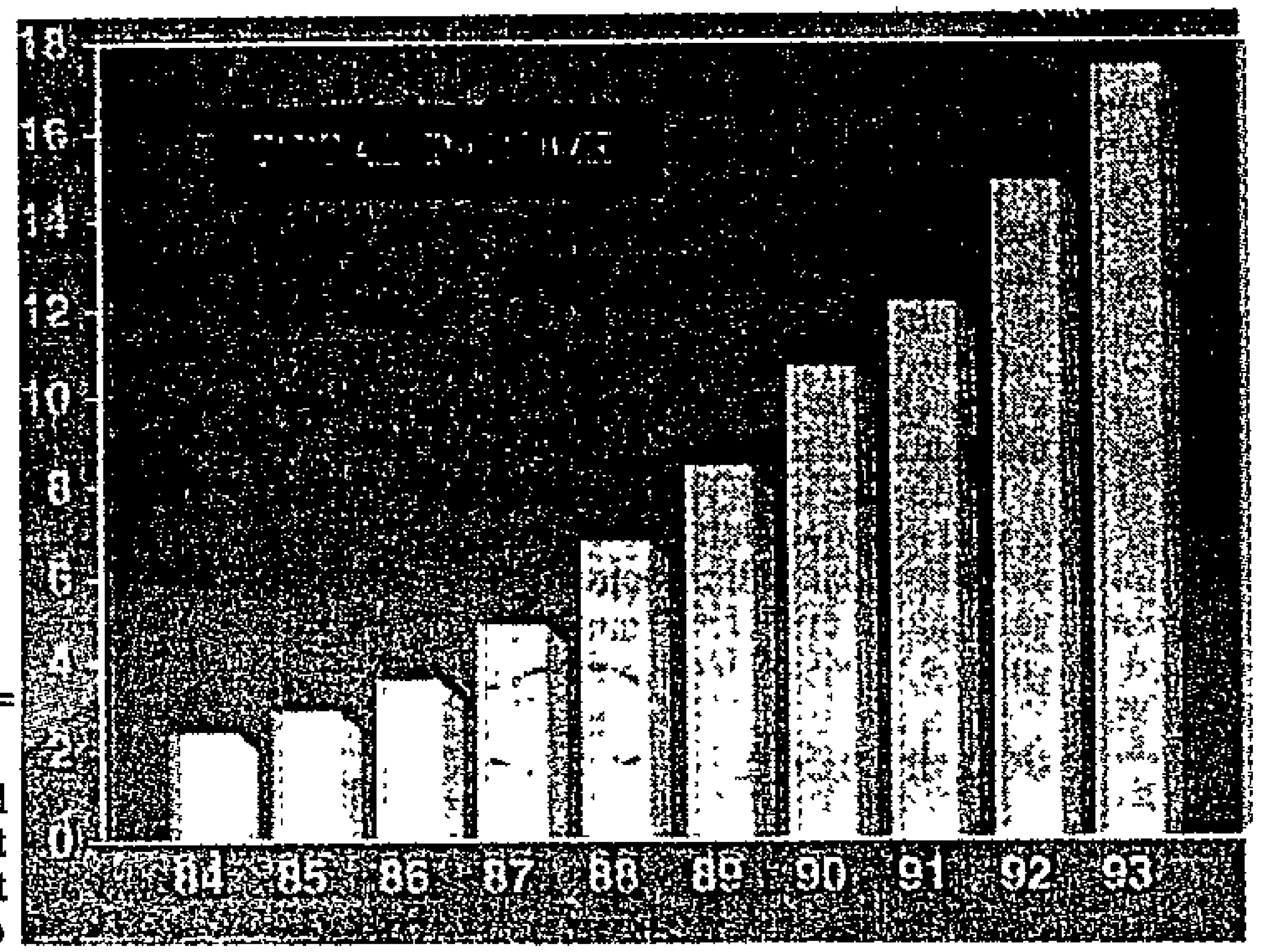
But the right to borrow or surrender the policy was a contractual condition of the policyholder, Fedlife MD Morris Bernstein said.

Total income climbs 17 percent to over R17-bn

OM still top of log

Star 17/8/93

OLD Mutual's assets have increased more than tenfold over the past decade. But the assurer wants to see a more equitable distribution of wealth to secure its future.



Steady rise . . . Old Mutual's income (in billions of rands) shows an average annual growth of 27 percent.

58

■ BY STEPHEN CRANSTON

Old Mutual has maintained its position as Africa's largest life assurer after a 17 percent increase in total income to R17,382 billion in the year to June.

Total assets under management increased by 12 percent to R98,068 billion, more than ten times the figure in 1983.

There has been an average annual growth rate of 27 percent, which translates into real growth of 11 percent, adjusting for inflation.

During the year, the assurer paid R8,24 billion in benefits to policyholders and beneficiaries, or R32 million every working day.

Death and disability benefits increased by 15 percent to R1,386 billion.

Old Mutual was recently ranked the 40th largest assurer in the world, the seventh-largest outside the US, UK and Japan, and the second-largest in the Southern Hemisphere.

Premium income was up 20 percent to R12,29 billion and single premium income up 34 percent.

Expenses were up 14 percent over the year (a 15 percent increase the previous year).

Chief operating officer Gerhard van Niekerk says the stage has been set for life assurers to play an even more significant role in any future stability and wealth creation.

"We are helping nearly three million members to a better quality of life and every time we pay a claim or maturity, we are building a brighter tomorrow.

"Our business is helping others to help themselves and we foresee the day we'll be helping millions more along the road to a safer, more prosperous future."

Van Niekerk says economic performance leading to the transition has been disturbingly weak in key areas — per capita gross domestic product (GDP) has been declining for more than 10 years, investment is down to unsatisfactory levels, unemployment is at very high levels and there is an extremely unequal distribution of income.

"Great inequalities pose a problem for any would-be democracy. They are a sure indicator that there is no democracy of outcomes.

"They are an invitation to dissent, unrest and violence.

"Much work needs to be done. The need for much higher growth is desperate and this must, at the same time, be consistent with more visible redistribution of opportunity and incomes."

Bumper R32-m OM payout

ARG 17/8/93 (58)

TOM HOOD
Business Editor

A RECORD R32 million in benefits was paid out every working day by Old Mutual in its past financial year.

At the same time, R60 million a day flowed into its coffers from premiums and investment income.

Benefits totalling R8 240 million were paid out, 20 percent more than than the R6 881 paid out last year.

"The record payment is 17 times more than the payout 10 years ago," said Old Mutual chairman Mike Levett today. "It is significant that most of the benefit payments were made to members during their lifetimes."

Total assets rocketed by more than R10 billion to exceed R98 billion and were 10 times higher than 10 years ago, when they stood at R10,8 billion.

The figures showed Mutual remained Africa's largest life assurer, said Mr Levett.

This more than anything else represented Old Mutual's ability to mobilise the savings of the community to provide for the long-term financial security of its members, he said.

The company's investments were worth R81,81 billion and earned R5 billion in income, up R460 million or almost 10 percent. This was a return of 6,2 percent, the same percentage as last year.

Premium income grew by R2 billion or 20 percent to R12,3 billion. A significant feature was a 34 percent rise in single premiums, said Mr Levett.

Expenses grew by only by only 14 percent in spite of the growth in business, and was lower than last year's growth in costs.

"This indicates we are operating efficiently in tough times," he said.

Mutual is the second largest life assurer in the southern hemisphere and the seventh largest in the world outside trhe US, UK and Japan.

It terms of assets it is ranked 40th among the top 50 by Fortune Magazine.

Commenting on the results, Mr Gerhard van Niekerk, chief operating officer, said Mutual was helping nearly three million members to a better quality of life.

"Every time we pay a claim or maturity, we are building a brighter tomorrow. We foresee a day when we will be helping many millions more along the road to a safer, more prosperous future."

As South Africa geared up for her first democratic election in eight months' time, the stage was being set for life assurers to play an even more significant role in any future stability and wealth creation, he said.

Economic performance leading to the transition had been disturbingly weak in key areas — per capita GDP had been falling for more than 10 years, investment was down to unsatisfactory levels, unemployment was at very high levels and there was an extremely unequal distrtibution of income.

"Great unequalities of income post a problem for any would-be democracy. They are a sure indicator that there is no democracy of outcomes no matter what one may say of the political regime. They are in invitatiom to dissent, unrest and violence.

"The need for much higher growth is desperate and this must at the same time be consistent with more visible redistribution of opportunity and incomes."

Old Mutual improves its total income by 17%

B/Day 18/8/93

(58)

CHARLOTTE MATHEWS

OLD Mutual improved total income by 17% to R17,4bn in the year to June 30, from R14,9bn in 1992, on the back of strong growth in premium income, the life assurance giant said yesterday.

Total premiums were lifted by one-fifth to R12,3bn (R10,2bn), boosted by a one-third increase in single premiums. Investment income was 10% higher at R5,1bn (R4,6bn). Benefits paid to policyholders and beneficiaries increased to R8,2bn from R6,9bn, equivalent to R32m for every working day in the last financial year. Total outgoings were R10,2bn, against R8,6bn in 1992.

Old Mutual's total assets under management grew to R98,1bn from R87,3bn, of which R84bn (R74,2bn) were Old Mutual policyholders funds and R14bn (R13,2bn) assets managed on behalf of clients.

Old Mutual chairman Mike Levett said growth in group recurring premiums slowed, reflecting retrenchment and more modest wage increases. Individual business did well, with high growth rates in single and recurring premiums.

Two factors restrained growth in investment income — the fall in interest rates and lack of growth in company dividends. Also, rentals had not been rising. In the past year the bulk of Old Mutual's portfolio had been in fixed interest investments.

Growth in assets managed on behalf of clients was restrained as some clients switched from a managed fund to guaranteed business, which put funds on to the balance sheet. No guaranteed business was done off balance sheet.

The move towards guaranteed business continued a trend evident in 1992, Levett said, reflecting the desire for more secure investments. People were firstly holding back on making investment decisions and moving towards guaranteed returns rather than high-risk/high-reward investments. Secondly, within the retirement fund area, there had been a swing from pension to provident funds, with provident fund members such as unions taking a more cautious approach to investment.

Levett said Old Mutual had seen funds grow every year in the past 148 years, "so I am confidently predicting that will happen in the next year".

"Single premiums on the group side could go anywhere but on the individual side we expect we will still do well," he said.

Withdrawals were up, which was a function of the economy, and would continue to be high. Interest rates were trending downwards and businesses showing less bottom-line profit, with dividends growing more slowly, so investment income would not show much growth in the next year.

Quality business focus spurs Protea's growth

LINDA ENSOR

CAPE TOWN — Protea Assurance notched up a 9% increase in earnings a share to 158c in the six months to end-June while its dividend payment increased by 20% to 30c.

Short and long-term insurance both contributed positively to the interim result. B/Day

Net premiums written showed a growth of 12,4% to R158,9m (R141,3m) and generated an underwriting profit of R1,8m — an 85% rise over the previous year's R992 000. Life premium income increased by 49,2% to R40,8m (R27,3m) and the contributions from the life division rose to R530 000 (R430 000). 18/8/93

Low interest rates left investment income virtually unchanged at R12,6m.

MD Andrew Tainton said Protea had benefited from effective marketing and strict underwriting controls in the short-term operation. (58)

"It will continue with its strategy of weeding out unprofitable business, concentrating on long-term growth rather than superficial profit spurts," he said.

Tainton said that as the emphasis of Protea's business was on "volatile" short-term insurance, the interim results could not be seen as an indication of the annual figure.

Protea Assurance boosts profit to R12,4m

(58) CT 18/8/93

Business Staff

CAPE Town-based composite insurance company Protea Assurance lifted attributable profits by R1m to R12,4m in the six months to June 30. Earnings rose to 158c (145c) a share and the interim dividend to 30c (25c).

Net written premiums rose to R158,8m (R141,3m). The short term insurance underwriting profit rose to R1,8m compared with R992 000 in the first six months of last year and a loss of R3,9m for 1992 as a whole.

The life insurance contribution to profits rose to R525 000 from R430 000. Investment income was virtually unchanged at R12,6m.

Commenting on the improved results MD Andrew Tainton said yesterday:"The company has profited from effective marketing and strict underwriting controls in the short-term operation.

"It will continue with its strategy of weeding out unprofitable business, concentrating on longterm growth rather than superficial profit spurts.

"Considering the focus on quality business, and intense competition in our market, it is most pleasing to note that net written premium grew by 12,5% over the same period in 1992.

"Life premium income increased by 49,2% over the same period last year. While we are pleased with this growth and are confident of a greater profit contribution, Protea's business emphasis remains largely on short term insurance.

"By nature this is a volatile sector. The board cautions that the results should not be used as an indicator of the potential income for the trading year."

Tainton pointed out that so far this year the short-term insurance results had been "free from catastrophe and weather-related losses."

OM premium income soars

(58) CT 18/8/93

By AUDREY D'ANGELO
Business Editor

INSURANCE giant Old Mutual lifted premium income by 20% to R12 2bn in the year to June 30.

Announcing this yesterday chairman Mike Levett commented: "A significant feature is the 34% increase in single premiums."

Total income, including R5bn from investments, was 17% higher than last year at R17,3bn.

Total assets under management grew to R98bn compared with R87,3bn last year.

Levett said this represented Old Mutual's ability to mobilise the savings of the community to provide for the long-term financial security of its members.

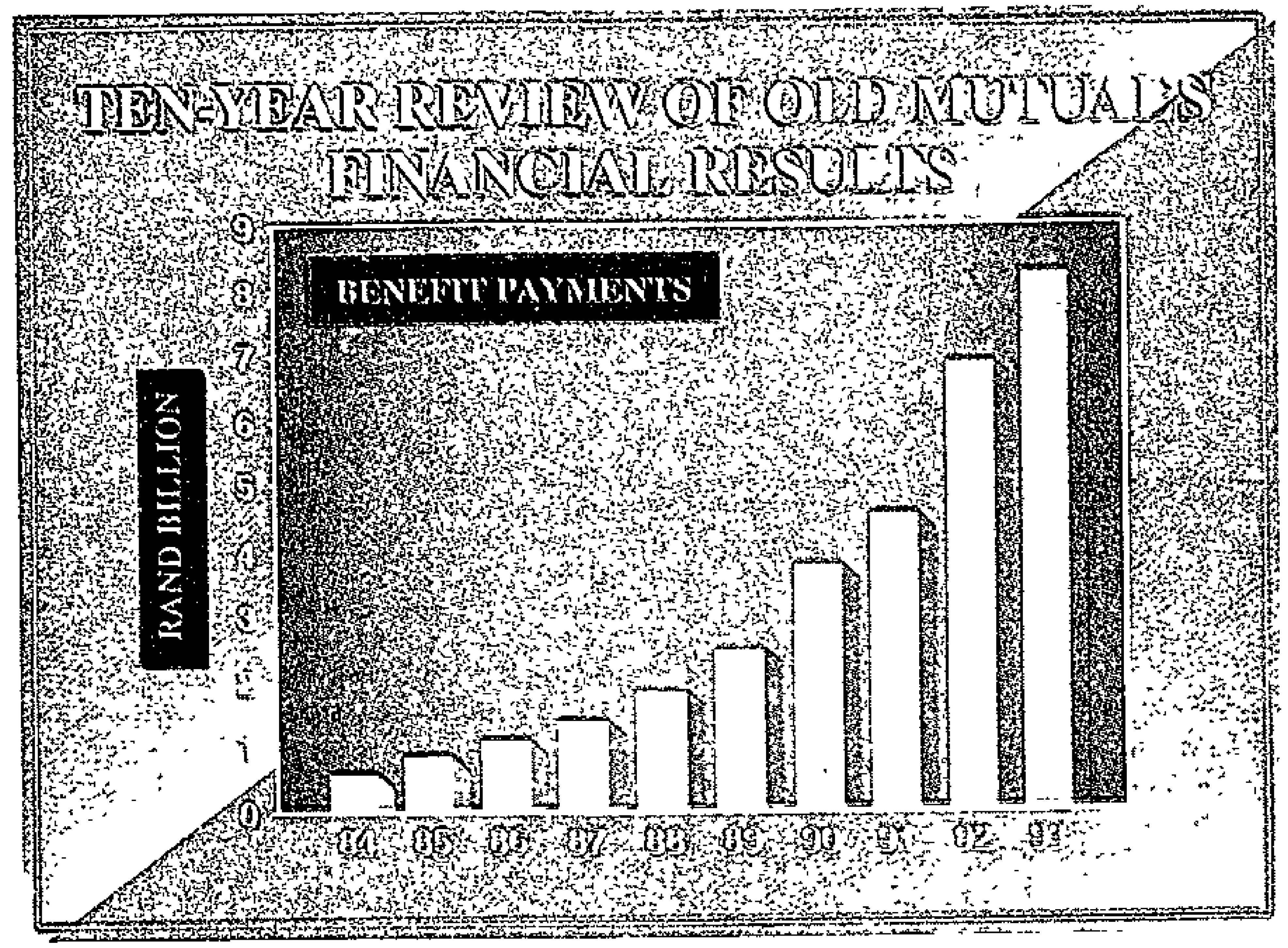
And, he stressed: "What was gratifying was that expenses, in spite of the growth in business being administered, grew at only 14% over the year compared with 15% in 1992. This indicates we are operating efficiently in tough times.

"Old Mutual has shown substantial real growth over the past 10 years. Assets under management grew at an average annual rate of 27%. After adjusting for inflation this translates into a real growth rate of almost 11% a year."

Benefits paid out to members totalled a record R8,2bn, or R32bn every working day. Levett said it was "significant that most of the benefit payments were made to policyholders during their lifetimes."

CE Gerhard van Niekerk said Old Mutual was "helping nearly three million members to a better quality of life. Every time we pay a claim or maturity we are building a brighter tomorrow."

Assistant GM and chief actuary



Theo Hartwig said that although any slowing down in the inflation rate would lead to lower nominal growth — which was not the same as real growth — Old Mutual thought it likely that inflation would pick up again after the election.

"The economic environment is now more favourable than it has ever been for keeping inflation low.

"The big question will be whether the new government will follow populist economic policies, which will lead to rising inflation. We are afraid this is the most likely scenario, because it will be very hard for a new government to resist pressures to spend more on upliftment.

"People will therefore continue to need inflation-beating products to help them provide for the future."

Hartwig said he did not foresee any substantial outflow of institutional investment funds to overseas markets following the promised gradual lifting of exchange controls, that would bring down the value of shares on the JSE.

"Exchange controls will be lifted only when there has been a return of confidence in SA and its economy. That will mean an inflow of foreign funds.

"And institutions have to keep sufficient funds in SA to cover their liabilities here.

"They also cannot take exchange rate risks by making big investments in other currency areas. They cannot risk losses as a result of currency fluctuations."

Discussing the effect of AIDS, Hartwig said there was nothing to suggest this would be less severe than forecast, but it might peak later than originally thought. "It will be the turn of the century before we see big numbers of deaths.

"But statistics in terms of people who are HIV-positive are in line with predictions."

Asked if Old Mutual had considered launching policies which gave better terms to people who were not at risk from AIDS, Hartwig said that in such an environment "one of the possibilities one has to consider is offering particularly attractive products to a market which is not AIDS-ridden."

'Short-sighted'

Discussing the move to provident funds rather than pension funds, Hartwig said he thought this a short-sighted view. Many people were not good at managing money and there was a risk that they might be left with nothing after a lump-sum pay-out instead of a pension.

The idea of a national pension fund had been around for a long time, but the logistics would be an enormous problem and it was uncalled for if the private pension industry was coping well.

The private sector was now almost 100% covered.

He thought it would be impossible to provide non-contributory pensions for the unemployed. "The present scheme is just keeping people alive and I don't think we can go beyond that."

Short-term underwriting lifts Protea

A short-term underwriting profit was largely behind Protea Assurance's R1 million rise in attributable profit to R12,4 million in the six months to June from the same period a year ago.

Short-term insurance underwriting profit was R1,8 million (R1 million), while life assurance moved up to R0,5 million (R0,4 million). Investment income was unchanged at R12,6 million. Star

MD Andrew Tainton says Protea will continue its strategy of weeding out unprofitable business, and concentrating on long-term growth. 18/8/92

Net written premiums grew by 12,5 percent, while premium income increased by 49,2 percent over the first half of the previous year. (58)

Tainton is expecting a greater profit contribution from these areas.

Earnings a share were 158c (145c). The interim dividend is 5c higher at 30c a share.

Tainton warns that the first-half results are not necessarily a good indicator of the full year's performance because trading conditions remain uncertain. — Sapa.

Protea profits blooming good

BRUCE CAMERON
Business Staff

ARG 18/8/93

PROTEA Assurance has kept to its recovery path with the release of its interim results for the six months to June 30.

After posting a loss of R10,5 million in 1991 the Cape Town-based composite assurance company has held on the course set with its 1992 results of attributable profits of R12,9 million.

Attributable profits were up to R12,4 million for the latest six month period.

Shareholders, previously concerned by the level of dividends, have been given an interim dividend of 30c a share, up by five cents on the comparable period last year.

Chairman Denis Fletcher was pleased to report the results for the first six months continued to reflect positive trends.

But the directors cautioned that with Protea's business emphasis focused on volatile, short-term insurance the interim results "do not necessarily indicate the outcome for the year".

The results excluded catastrophe and weather-related losses.

Underwriting profits have almost doubled to R1,8 million over the previous comparable period. Also contributing to the solid performance was an increased life assurance contribution of R525 000.

Investment income remained the same at R12,6 million.

■ Sanlam's 100 Plus and 200 Plus portfolios yielded returns of 16,3 percent and 15,1 percent respectively during the first six months of the year.

In its half-yearly investment report for the period January 1 to June 30, Sanlam said this success was largely due to the high share exposure and specifically to the sharp increase in the prices of mining shares since the beginning of the year.

Liberty changes its policy on dividends

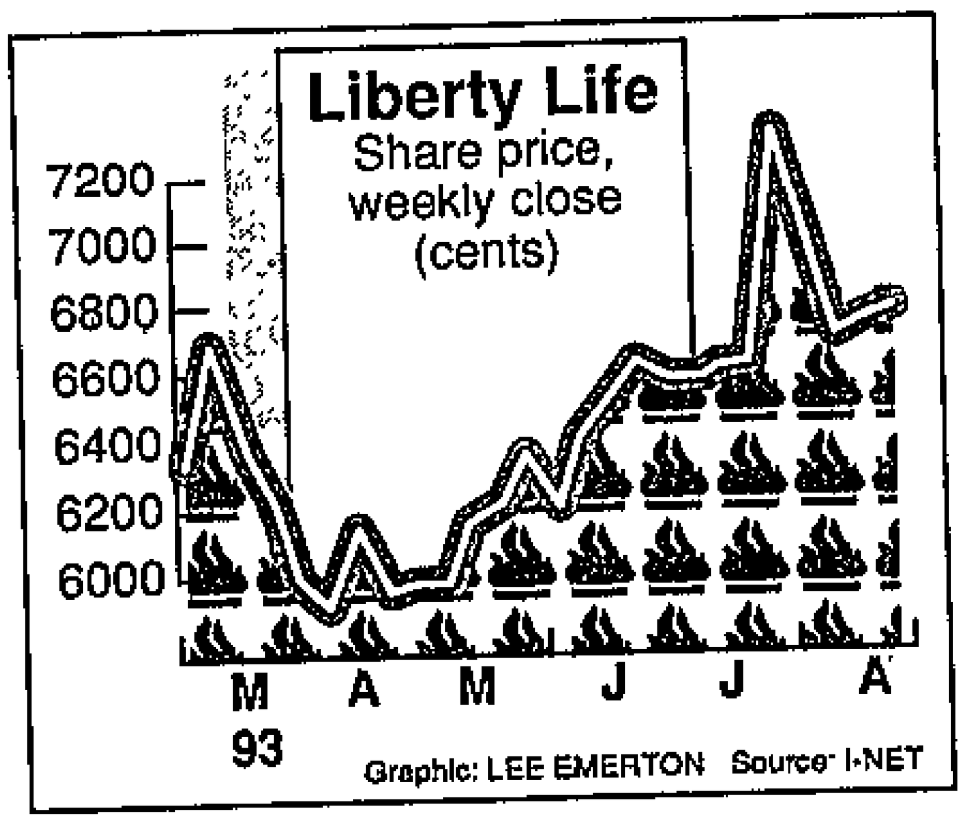
CHARLOTTE MATHEWS

LIBERTY Life Association departed from its usual interim dividend policy yesterday, declaring a generous capitalisation award for the six months to end-June and a larger than usual increase in the cash dividend alternative. B/Day 19/8/93

Shareholders are being offered 1,5 new ordinary shares for every 100 Liberty Life shares, or an interim cash dividend of 80c a share. At yesterday's closing price of R67,75 the value of the scrip offer was equivalent to 101,6c a share. (58)

Liberty Life chairman Donald Gordon said Liberty usually paid an interim dividend equal to half that of the previous year. Based on the 1992 dividend of 132c a share, excluding the special anniversary dividend, this would have been 66c for this year's first-half.

However, the 80c interim cash dividend represented half of 1993's estimated full-year dividend of 160c and was 48,1% above last year's interim dividend of 54c.



"We are trying to persuade our shareholders to take the capitalisation share alternative," Gordon said. "The capitalisation dividend is not subject to secondary tax on companies (STC) and we will save this tax to the extent that shareholders

□ To Page 2

Liberty Life

B/Day 19/8/93 □ From Page 1

take up the capitalisation shares.

"But we are trying to be fair to the person who feels he is being forced to take the shares rather than the cash."

In the six months to June Liberty Life's net taxed surplus a share was 77,3c, half that of the full 1992 year, compared with 63,5c in the previous first-half. This was based on an estimated net taxed surplus attributable to shareholders of R177,0m (R144,7m), since actuarial valuations of Liberty Life's funds, and its wholly owned subsidiary Charter Life Insurance Company, are not carried out half yearly.

New business written by Liberty Life and Charter Life increased 47% to R1,04bn (R706m). New annualised recurring premium income rose to R344m (R278m), while single premiums totalled R692m (R428m).

Liberty Holdings, which owns 52,6% of Liberty Life, has also declared a capitalisation share award, although the issue of STC is not as relevant.

Liberty Holdings shareholders are being offered 1,25 ordinary shares for each 100 Liberty Holdings shares, or a cash dividend of 220c. At yesterday's closing price of R180, the capitalisation offer was worth 225c a share. The 1992 interim dividend was 142,0c a share. (58)

Liberty Holdings improved its attributable profit to R123,1m (R97,8m) in the six months, owing to good results from Liberty Asset Management and Guardian National Insurance Company, and the reduced cost of servicing preference capital.

First International Trust, which holds 36,7% of TransAtlantic Holdings, declared an unchanged interim dividend of 7,0c a share on earnings of 15,1c (12,8c).

African Development Bank treasurer Kofi Bucknor, left, and World Bank Africa region senior economist Paul Popiel discuss African banking at a conference in Johannesburg yesterday.
Picture ROBERT BOTHA

Optimism over growth of continent's banking

B|Day, 19/8/93

SHARON WOOD

THE African Development Bank was optimistic about business prospects for the African Export Import Bank and about the potential for making banks more aware of opportunities for financing African trade, African Development Bank treasurer Kofi Bucknor said at the African banking conference yesterday.

He said it appeared African countries and private investors shared the African Development Bank's optimism because they had pledged about $450m to the new institution.

Bucknor said one important but curiously neglected area where African banks had a natural advantage was the development of correspondent banking and joint ventures among banks in different African countries.

This would be part of an effort to promote the financing of intra-African trade and exports, he added. The African Development Bank had recognised this financing gap and had created the African Export Import Bank this year.

"The African Export Import Bank idea sets an important precedent for the creation of other Africa-wide banking institutions," he said.

(58)

These included bank holding companies with a diversified shareholder base that would make strategic banking investments in African countries offering the best prospects.

"Through this process, such companies could create a network of African banks spread across the continent."

In addition, banks in Africa should more aggressively establish structures and mechanisms to promote the clearing and settlement of transactions among themselves because they were sorely lacking in the region.

Bucknor also emphasised the role restructuring the sub-Saharan financial system should play in revitalising the region's economy.

He said restructuring was a daunting task because of Africa's limited access to external capital, the region's economic situation, and social and political obstacles.

"African countries have increasingly come to realise that the cornerstone of any successful restructuring effort must be a restored and sound banking system which in turn creates an atmosphere of basic confidence.

"The need for strong and well-managed banks is therefore one important area that requires greater attention from the well-established banks in SA."

But he said a more proactive approach by banks did not imply unnecessary risk-taking or imprudent management, and the region should not lose sight of the strong emphasis being placed in the international arena on stricter capital adequacy standards.

Rand Merchant Bank, NBS link up

B/DAY

SHARON WOOD

RAND Merchant Bank Holdings (RMBH) would take over Barlows' 18% shareholding in NBS Holdings worth R225m as part of a bigger deal between the two groups, senior sources said yesterday. 19/8/93

In a cautionary announcement NBS and RMB said negotiations could result in cross shareholdings. (58)

NBS executive director Mark Farrer said the move had its roots in the Barlows unbundling. "NBS had to find another substantial shareholder."

RMBH MD Paul Harris would not elaborate on the deal as it had not been finalised. An announcement would be possible only in about two weeks, but he said the group saw merit in a cross shareholding.

"With the muscles of the two organisations we will be able to get involved in transactions we couldn't have before," Farrer said. He emphasised that there would be no merger. There would be no tying up of business operations or insurance interests between the two groups.

Davis Borkhum Hare banking analyst Graham Baillie said the deal held exciting potential. In the past NBS had indicated that it could continue on its own and there had been no pressure on it to join another financial services organisation.

A link-up would give the two companies access to different client bases. NBS was strong in the retail banking sector and RMB had a good company base.

NBS's share price was unchanged yesterday, but it has risen 25c to R17 this month. It is the fifth largest SA bank with a market capitalisation of R1,3bn.

Buoyant Liberty declares capitalisation award

JOHANNESBURG. — Liberty Life Association departed from its normal interim dividend policy in the six months to June 30 by declaring a generous capitalisation award yesterday and a greater increase than normal in the cash dividend alternative.

Shareholders are being offered 1,5 new ordinary shares for every 100 Liberty Life shares held or an interim cash div of 80c a share. At yesterday's closing price of R67,75 the value of the scrip offer was equivalent to 101,6c a share.

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Liberty Holdings improved its attributable profit to R123,1m in the six months from R97,8m in the same period in 1992 owing to good results from Liberty Asset Management and Guardian National Insurance and the reduced cost of servicing preference capital.

(S8) CT 9/8/93

First International Trust, which holds 36,7% of UK-based TransAtlantic Holdings, declared an unchanged interim div of 7,0c a share in the six months to June on earnings of 15,1c (12,8c).

RMBH takes up NBS stake

JOHANNESBURG. — Rand Merchant Bank Holdings (RMBH) would take over Barlows' 18% shareholding in NBS Holdings worth R225m as part of a bigger deal between the two groups, senior sources said yesterday. 58

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RMBH MD Paul Harris would not elaborate on the deal as it had not been finalised.

Southern on track

Business Editor (68)

SOUTHERN Life has had "a reasonable start to the year," executive chairman Neal Chapman told shareholders at the agm yesterday. He said sales, investment and profits had all been on budget and above last year's levels. CT 19/8/93

In answer to a suggestion from the chairman of the Shareholders Association of SA, Issy Goldberg, that the life insurance industry should use 3% of its funds for the provision of low-cost housing, Chapman said the Life Offices Association was already lending funds to Eskom for electrification.

Investors offered big cash dividend or share option

Star 19/8/93

Liberty Life in top form

58

BY JOHN SPIRA

Liberty Life shareholders once again have good reason to be overjoyed with the interim results.

A year ago they were presented with a handsome anniversary dividend.

This time round, the interim has been dramatically increased, with the extent of the improvement hinging on whether they opt to receive their payment in cash or by way of a capitalisation share award.

The cash equivalent is 80c a share — 48,1 percent up on last year's interim. The share award comprises 1,5 new shares for every 100 held, equivalent, at the ruling price, to 100,5c a share — 86 percent up on the 1992 halfway payout.

Chairman Donald Gordon says the total distribution for the full 1993 year will be at least 160c — double the interim cash equivalent.

Liberty's net taxed surplus for the six months was R177 million, which, at the per share level, amounts to 77,3c — 21,7 percent up on last year's period.

The motivation behind the attractive (relative to the cash option) share offer is to persuade shareholders to opt for the award so as to reduce liability for the secondary tax on companies.

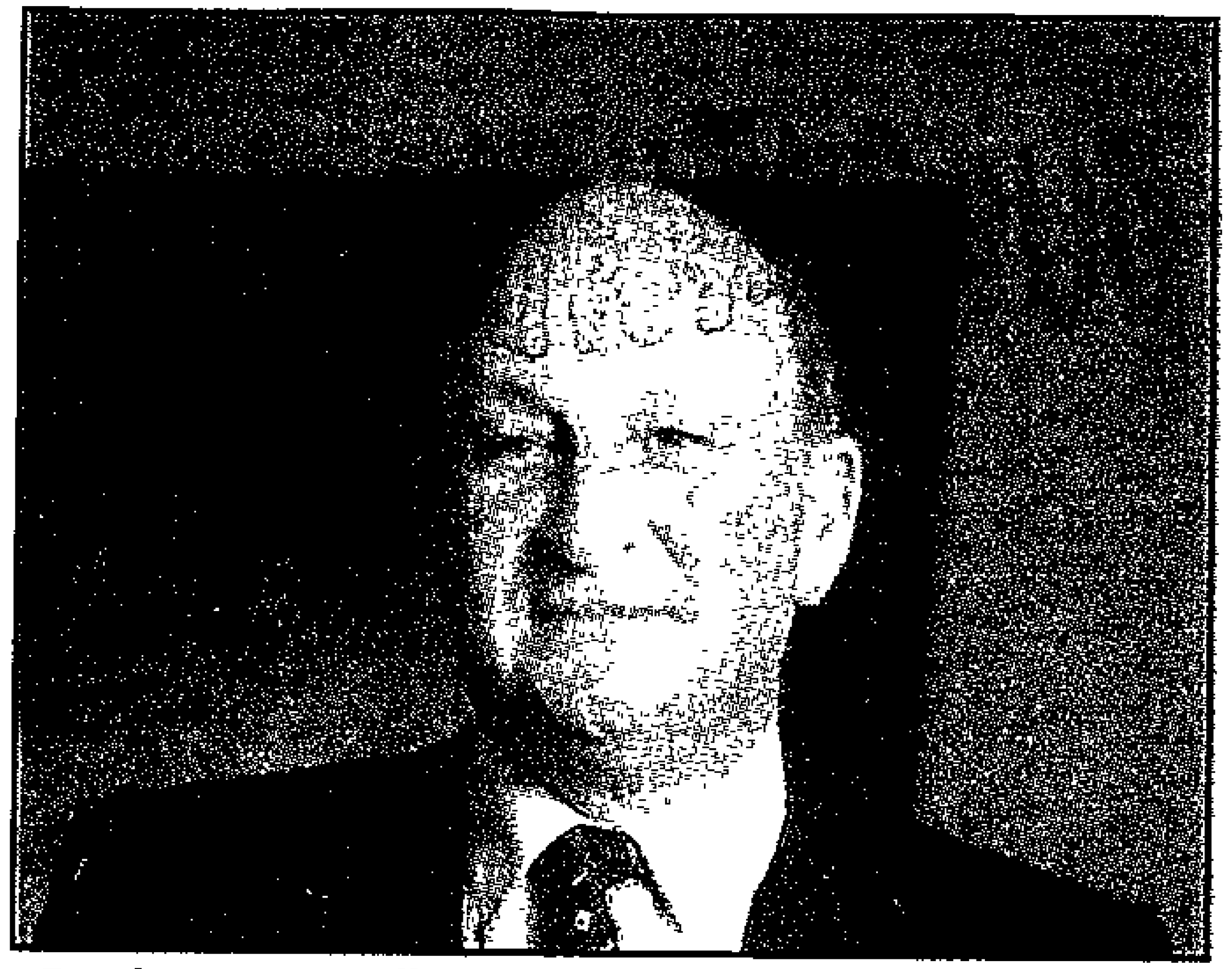
Importantly, shareholders must elect to take the dividend, without which they will automatically be issued with the capitalisation shares.

Gordon ascribes this sterling growth to the strong appreciation of investments.

Liberty Holdings grew its per share earnings by 25,5 percent to 268,8c.

Here, too, shareholders have the option of a cash dividend of 220c or a capitalisation award of 1,25 shares for every 100 held.

First International Trust (FIT) earned 15,1c a share (12,8c), from which an unchanged interim dividend of 7c has been declared.



Gordon . . . ascribes sterling growth to strong appreciation of investments.

Fedsure confident it can maintain real growth rate

CHARLOTTE MATHEWS

FINANCIAL services group Fedsure, which has recently broadened its operations in the sector, increased net attributable income by nearly a third to R25,2m in the six months to June, compared with R19,3m in the same period in 1992.

On earnings of 29,6c (24,6c) a share, an interim dividend of 18,25c (15,25c) has been declared. This is about half of the total dividend for 1992, in line with company policy.

Life assurance unit Fedlife is the main contributor to group earnings. It improved recurring premium business by 18% to R428m.

Individual life business was 26% up on the same period in 1992, while employee benefits business was 23% higher. Recurring premium income from industrial benefit schemes declined because of the continued economic downturn.

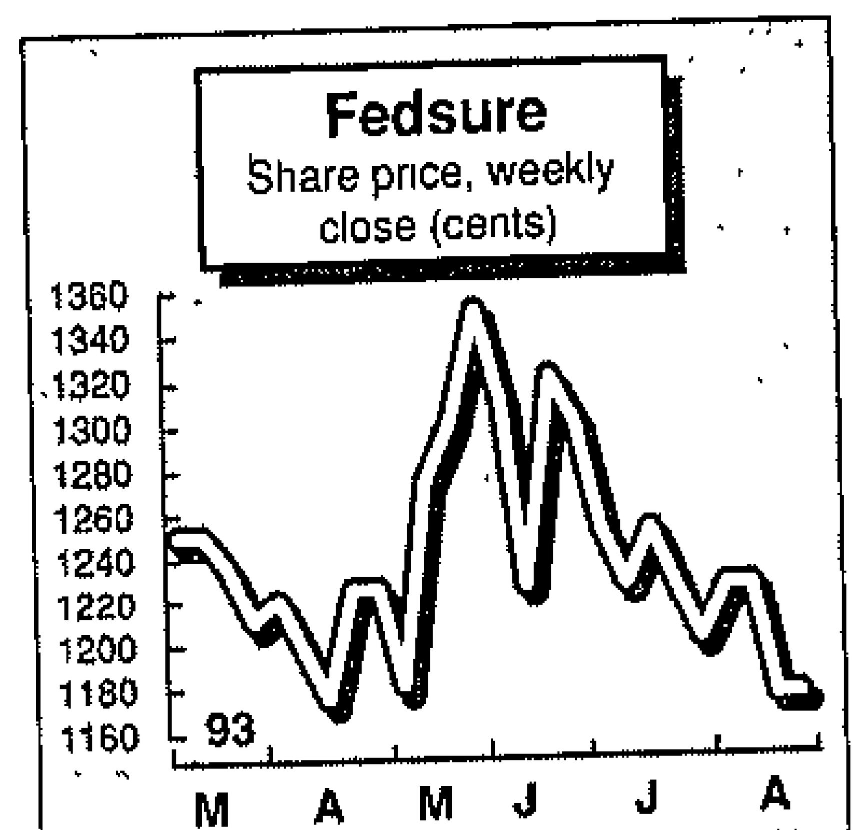
Investment income improved by 12% to R277m. The figure includes contributions from 70%-held short-term insurance arm Fedgen, from Fedlife Capital Fund, Fedgro Unit Trust and FedBond, as well as Fedsure's equity, property and gilt holdings. Fedgen showed a 19% improvement in profit in the half year.

Fedsure Group CE Arnold Basserabie said he was particularly pleased by the below-inflation, 6% increase in management expenses. This resulted from a restructuring of Fedsure's underlying business. B/Day

"In addition, it has positioned us to achieve our business objectives and grow expenses at a relatively low rate in the future." 20/8/93

In the absence of unforeseen factors, Basserabie was confident of the group's ability to maintain its real rate of growth. With regard to the economy, he said broad industrial activity was starting to improve, but this still had to work its way through to the man in the street. (58)

Asked about talks with HCI, he indicated he was not in a position to say any more than was in the cautionary published a few days ago. The cautionary said although the original transaction was not being pursued, talks were still being held with various parties. The original transaction required a R100m cash injection into HCI by Fedsure and Investec.



Graphic KAREN MOOLMAN Source I NET

Guardian reaps benefit from trouble-free period

BIDay

CHARLOTTE MATHEWS

SHORT-TERM insurer Guardian National Insurance Company improved its underwriting profit nearly five times to R15,7m in the six months to June from R3,2m over the same period in 1992 owing to higher income and lower expenditure.

Gross premiums lifted by one-third to R452m from R339m while income from investments increased by 17% to R30,4m from R25,9m. Earnings were 379,7c a share, against 233,5c previously, on which a dividend of 94,0c (77,5c) was declared. The interim dividend is set at 50% of the total dividend for the previous year.

Guardian National MD Keith Nilsson said a large part of the improvement in gross premium income reflected the repatriation of business previously written overseas and the acquisition of some accounts arising from the privatisation of quasi-government bodies. About 25% of gross premium income was derived from personal lines business, which had expanded 30% in the past six months.

Underwriting profit had benefited from a reduction in fire losses and the absence of major weather-related losses in the past six months.

Investment income had improved as funds invested grew, although this had been offset by lower interest rates, he said. 20/8/93

"This is a time when everything has gone well, with our strategic units — major corporate business, agriculture, health and marine — in profit," Nilsson said. (58)

A large proportion of Guardian's reinsurance was from foreign sources, through UK-based parent Guardian Royal Exchange, and European reinsurers. As the international reinsurance market was contracting, costs in this area could increase, Nilsson said. Reinsurance contracts were currently under negotiation.

The company's good half-year results were not necessarily an indication of what would be reported at year-end, Nilsson added. The final results would depend on weather patterns in the second half of 1993 and the incidence of fire and crime.

Guardian's earnings soar

Star 20/8/93

BY STEPHEN CRANSTON

Guardian National lifted earnings per share by 63 percent to 379,7c in the six months to June. The dividend is 21 percent to 94c. (58)

Underwriting profits rose almost five times to R15,7 million, reflecting a drop in fire losses and the absence of major weather-related losses.

Investment income was up 17 percent to R30,3 million.

Gross premium income rose 38 percent to R452 million. MD Keith Nilsson says much of this came from repatriation of business formerly written overseas and acquisition of accounts arising from privatisation.

Star 20/8/93

Revamped Fedsure going great guns

BY JOHN SPIRA

Fedsure, after broadening financial sector operations, lifted net attributable income 31 percent to R25,2 million in the six months to June.

Earnings of 29,6c a share are 20 percent higher than for the first six months of 1992, with the 18,25c interim dividend 20 percent ahead.

Chief executive Arnold Basserabie is confident the group will maintain its real rate of growth.

All operations performed well, with benefits beginning to flow from alliances with other financial institutions.

"At the same time, major advances have been made in the containment of management expenses well below the inflation rate," he says.

Basserabie . . . advances in containment (58)

Subsidiary Fedlife lifted recurring premium business 18 percent to R428 million.

Over the past year total group assets have grown by 20 percent to R7,3 billion.

Basserabie says part of the increase came from higher values in both the equity and gilt markets. Investment income rose 12 percent to R277 million.

Fedgen, the short-term insurance arm, achieved a 19 percent profit growth.

Fedgro Unit Trust's assets now exceed R50 million.

Basserabie believes Fedsure is ideally placed to participate in SA's growth.

After more than doubling in 1992, Fedsure's share price has continued to advance in recent months, rising 47 percent since the beginning of 1993. The 3,1 percent dividend yield is marginally above the average for the JSE's insurance sector.

New fund for the hands-off investor

58

WM 20-26/8/93

Mondli Makhanya

IN a much-needed move to diversify South Africa's unit trust industry, a new fund that will track the Johannesburg Stock Exchange's All-Share Index has been launched.

The All Share Index Fund, to be managed by the Composite Unit Trust Managers isa joint venture between Prima Bank and FISC Investment Management. It is the first index fund that will be spread over all sectors of the JSE. Index-linked funds — the fastest growing segment of the industry — specifically represent the indices of chosen sectors. They are managed by computer models rather than expert individuals. In a way, this reduces risk involved in relying on individual judgment.

Index funds have thus far been linked to particular sectors and have performed better than general equity funds. Recent quarterly results from the funds have borne this out.

The All Share Index Fund may turn out to be quite a useful instrument for a hands-off investor. The All Share Index has in the long term outperformed may of the general equity funds and, if this continues, subscribers to this fund may come into some good returns.

Another advantage is in the form of lower management fees, resulting from the fact that there is no active management.

However, for now, the futures and options markets are not covered by the fund, but permission to do this will soon be forthcoming.

Fund managers are lobbying for unit trusts that are linked to money markets but are meeting resistance from banks — which fear they will further erode their market share. If this plan goes through, it will be for daring investors only as this can be a very volatile sector.

SECHOLD FM 20/8/93

Taking the plunge

Activities: *Banking, securities trading, portfolio management and related financial services.*
Control: *Executive staff 19%.*
Chairman: *G S Thomas; MD: A Kelly.*
Capital structure: *23,5m ords. Market capitalisation: R276m.*
Share market: *Price: 1 175c. Yields: 2,8% on dividend, 7,7% on earnings; p:e ratio, 13,1; cover, 2,7. 12-month high, 1 200c; low, 610c. Trading volume last quarter, 113 000 shares.*

Year to June 30	**'90**	**'91**	**'92**	**'93**
Total assets (Rbn) ...	2,44	7,39	7,86	6,41
Deposits (Rbn)	2,39	7,33	7,71	6,24
Attributable profit (Rm)	12,0	14,4	17,5	21,2
Earnings (c)	51	61	74	90
Dividends (c) .. .	21	25,5	30	33
Tangible NAV (c) .	173	216	266	313
Return on equity funds (%)	33	31	31	31

(58)

Like that first leap from a high diving board, bank controlling company Sechold has taken the plunge into fuller disclosure in its 1993 annual report, released only a week after preliminary results. Now that it has possibly the fullest disclosure among smaller banks, Sechold probably feels it wasn't so bad

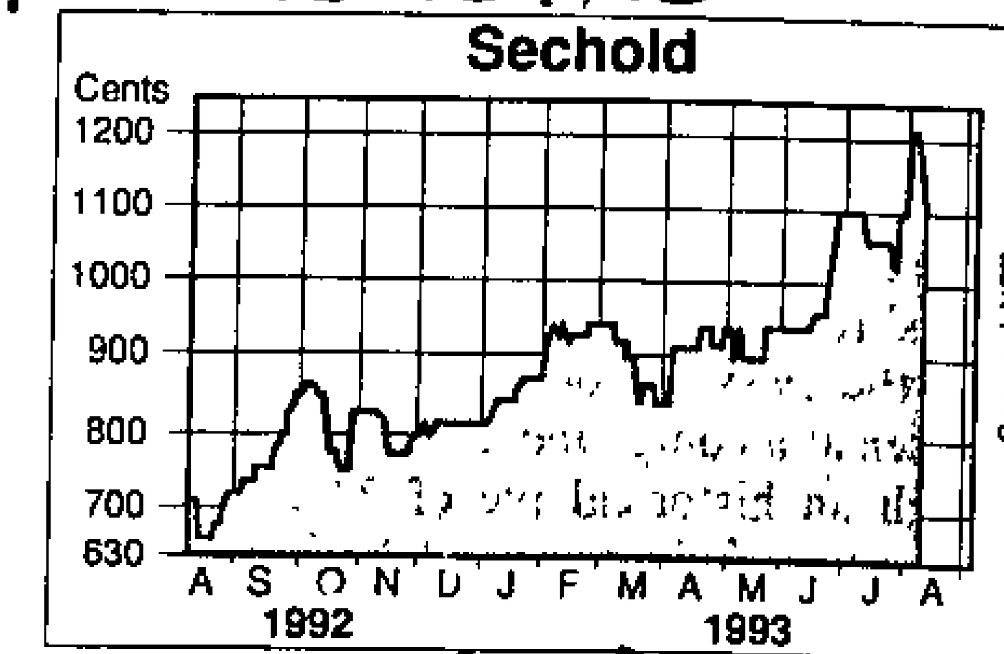
Shareholders, who have for several years enjoyed a return on funds well above 30% and consistent dividend growth, might appreciate more information on the bank. Potential new investors will certainly welcome fuller disclosure.

New chairman Grant Thomas says institutional investors increased their holding of Sechold's equity from 50% to 53% over the financial year. The institutional holding should increase further this year, though the share is tightly held and tradeability limited.

Most grateful recipients of Sechold's fuller disclosure will be analysts, who have found it frustrating trying to evaluate what has been a well-run operation without a clear view of how it makes its money.

Sechold now gives a breakdown of contributions from operations, discloses a R21m contingency fund (previously hidden in internal reserves) apart from provisions for

FM 20/8/93



(58)

specific liabilities, and offers a risk analysis of net interest and operating income.

Of the four banks that make up Sechold's major investments, the best performer was District Securities Bank, the Cape-based institution operating in financial markets and with plans to expand into mortgage lending. After contingency provision transfers, the bank increased income by 54% to R2,7m. Its capital base has been enlarged by a R5m equity injection and R10m in preference shares from Sechold, making it a favoured performer this year.

Bigger contributions, from R4,8m to R5,4m, were received from Securities Investment Bank, Secfin Bank and NDH bank, all increasing income by just over 25%. NDH achieved its strong growth despite a complete change in management after a walkout late last year; MD Arthur Kelly says new management is to be congratulated on its performance.

Despite the 21,6% growth in earnings, slightly above the compound annual rate of the past five years, trading conditions were tough Deposits dropped by 19%, advances by 17,6% to R3,37bn. But, despite a R436m dip in operating income to R996m, Sechold cut operating expenses by 33% to R915m. Other income grew by a third to R6m and net interest and other operating income increased 11% to R78m.

Kelly points out that more than half of Sechold's earnings are of a recurring nature, with only about 14% from what could be described as jobbing. The objective is to manage responsibly the risk profile and gradually build the relative contribution of sustainable earnings, while remembering that "opportunistic trading profits" remain an important source of income.

The share price continues to make large gains, notching up more than 80% to 1 175c over the year. Ratings have firmed, though, to the point where the share is looking expensive. Still, Sechold has achieved a remarkably consistent record and its move to fuller disclosure should bring increased interest.

Shaun Harris

BOLAND BANK Fm 20/8/93

Lagging the big groups (58)

Activities: *General bank providing comprehensive banking and trust services.*
Control: *No shareholder owns more than 9,9%.*
Chairman: *P B B Hugo; MD: G Z Liebenberg.*
Capital structure: *13,5m ords. Market capitalisation: R110m.*
Share market: *Price: 820c. Yields: 6,8% on dividend; 21,8% on earnings; p:e ratio, 4,6; cover, 3,2. 12-month high, 925c; low, 750c. Trading volume last quarter, 70 000 shares.*

Year to March 31	'90	'91	'92	'93
Total deposits (Rm)	2 811	2 741	3 029	3 169
Total assets (Rm)	3 057	3 293	3 496	3 708
Taxed profit (Rm)	14,9	17,0	19,0	21,8
Earnings (c)	110,8	126,4	141,3*	179,2
Dividends (c)	46	48	52	56
Tangible NAV (c)	917	995	1 018	1 918†

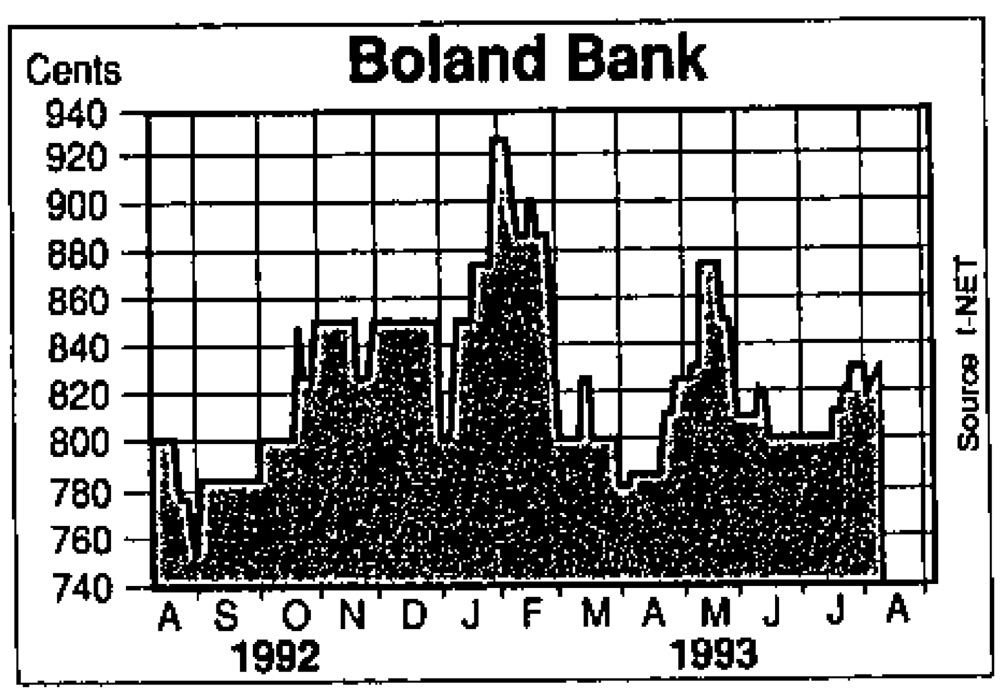
* 159,9c in 1993 Income Statement.
† After rights issue of preference shares — includes premiums on issue.

Fm 20/8/93

Like many bankers, MD and vice-chairman Gert Liebenberg is a conservative man. He says, with considerable understatement, that "sporadic speculation on the continued independent existence of the bank between the 1992 AGM and the bank's rights issue in March 1993 at times absorbed valuable management time."

What happened in that period marked perhaps the most significant milestone in the bank's history since it was formed in 1900 and, in a way, it threatened Liebenberg's existence as a banker. Small wonder that much management time was taken up.

At the 1992 AGM, an Absa Bank representative upset Liebenberg's carefully laid plans to increase Boland Bank's capital — needed to achieve the capital ratio required by the Deposit-Taking Institutions Act — by issuing preference shares. He also demanded that shareholders' voting rights should be made more democratic and that the board should become more representative of major shareholders' interests. This action was perceived as a hostile attack and the prelude to a takeover bid by Absa (denied at the time). Liebenberg lost the battle; he had to capitulate on these demands. But, it seems, he won the war.



Though it took the intervention of two of Boland's major shareholders to get Absa to cry off from its hostilities, Liebenberg was forced to change the shareholders' voting rights (one share now carries one vote; shareholders previously could vote only up to 1%, irrespective of the number of shares held); and the number of directors has increased from 14 to 18.

A rights issue, effective March 31, of 12,2m partly-redeemable compulsorily convertible participating cumulative preference shares, raised R100m. Liebenberg is still at the helm and has evidently guided Boland competently through a tough year.

The 12% increase in EPS does not reflect the rights issue, as it was only concluded at the year-end. It was, however, a year when bad and doubtful debts increased alarmingly and offset much of the improvement in net interest income.

Financing remained the single most important source of income. The discretionary financing portfolio grew by about 10% during the year, reports Liebenberg. This roughly corresponds to the average growth in SA's domestic credit extension. The number of Boland's cheque accounts and its electronic card base both grew satisfactorily. The youth client base grew substantially.

However, a 16,7% rise in operating expenses offset total income growth of 15,3%. Bad debt provisions (lumped with undisclosed tax in the income statement) and tax also stunted attributable earnings growth.

Until October 1990, the share price moved between 370c and 525c, before climbing rapidly to R11 in February 1992 — fuelled by speculation about an Absa takeover. It has since fallen, breaking two major trend lines in doing so. The chart shows it to have reached a critical level in a flag formation.

Chartists would be inclined to say it will again break on the downside. Fundamentalists will tell you that earnings growth, while solid, has not kept up with the growth rates of the large banks. Boland's earnings growth rate will have to improve before its share price resumes a rising trend. *Gerald Hirshon*

Old Mutual shows steady growth

South

20/8 – 24/8/93

AFRICA'S largest life assurer Old Mutual paid out a record R8 240 million in the past financial year — up 20 percent on last year's figures.

In the past year payments for death and disability increased by 15 percent to R1 386 million.

"It is significant that most of the payments were made to members during their lifetime," says chairman Mike Levett this week.

Old Mutual's total assets are up, by 12 percent to over R98 billion.

The company is now ranked 40th in the world's top 50 life assurers.

Total income for the year has also increases, by 17 percent to over 17 billion from last years figures.

Levett says the company has grown steadily at an annual rate of almost 11 percent. (58)

Agents put under the microscope

Star 21/8/93

THE days of being pressured into an insurance policy you don't think is right for you could be over. Your agent will have to explain himself if his actions are found to be questionable. Punishment could range from a warning to expulsion from the industry, reports LEIGH ROBERTS.

EVER been sold a policy from a smooth-talking life assurance consultant, only to have regrets within a few days because it was not what you wanted? Well, the life assurance industry itself has come to the rescue.

It has set up an ethics board to look into any questionable activities by people within the industry.

This week saw the launch of an ethics board under the auspices of the Life Underwriters' Association of South Africa (LUASA). The board is charged with the task of investigating complaints about the ethical standards and behaviour of life assurance intermediaries, agents and brokers.

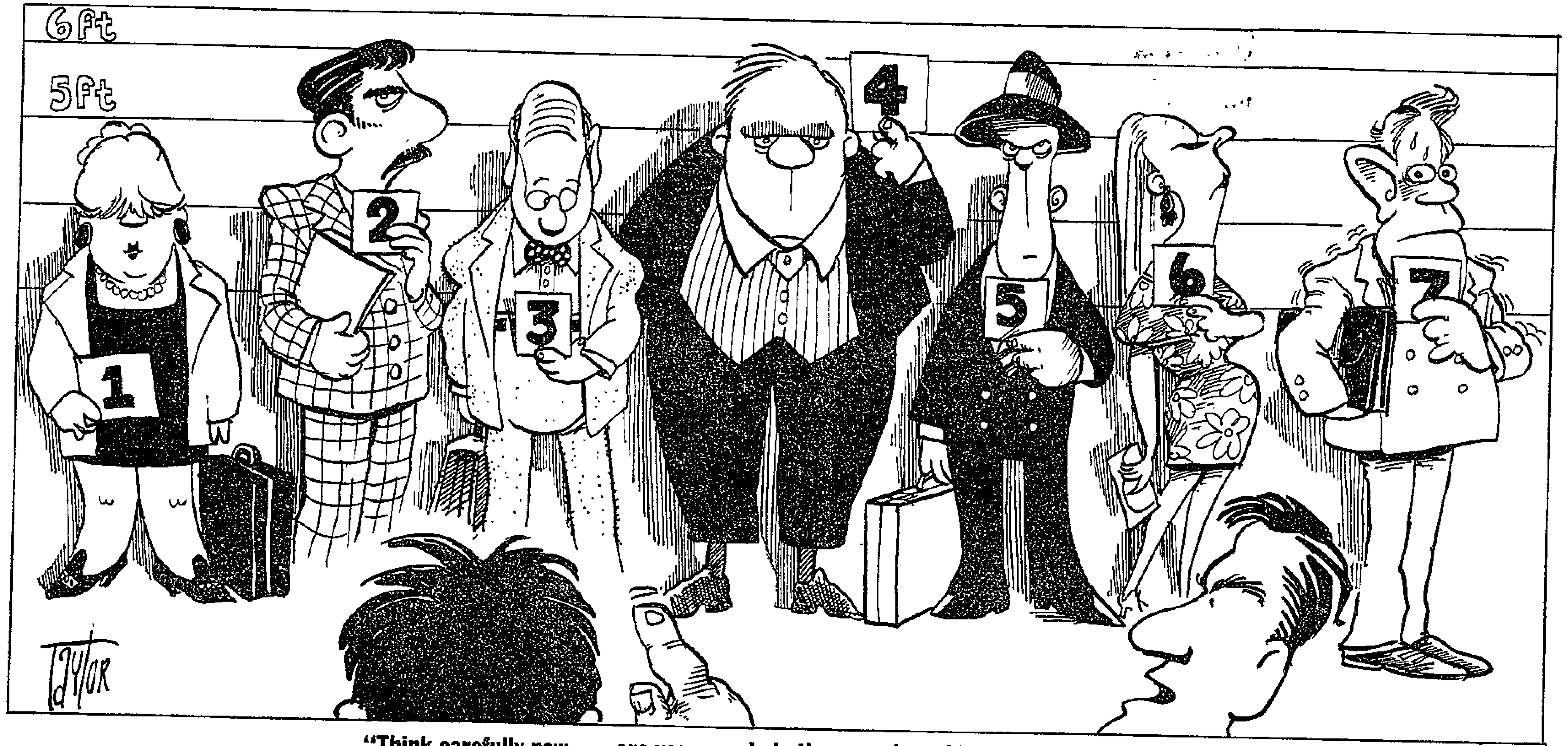
Follow-up action

Although it has initially been formed under the wing of LUASA — a voluntary-membership body — the board will not be restricted to complaints about its members, but rather all industry employees.

The board will go some way in closing the self-regulation gap in the life assurance industry. Within the industry, serious offences such as fraud are dealt with through the S-reference system, while complaints not directly related to the behaviour of a salesman are dealt with by the ombudsman, G P C Kotze.

Under the S-reference system, assurance intermediaries can be barred from the industry for at least five years.

Until the launch of the Ethics Board, there had been no formal control structures to deal with the minor offences of salesmen.



"Think carefully now . . . are you sure he's the one who sold you the policy."

Insurance ethics board will hear complaints

58

Hennie Oosthuizen, executive director of LUASA, says the Ethics Board will ensure that complaints from the public are properly investigated and that follow-up action will be taken.

On the other side of the coin, he adds that another function of the board will be to assist in resolving unfounded accusations against consultants.

The board comprises executive members of LUASA as well as an investigating officer. The investigating officer is George Radcliffe, who is well qualified for the job, being a former chairman of the ethics committee of the Life Insurance Association of the UK and a retired justice of the peace.

After investigation of a complaint, the board will recommend appropriate disciplinary action to the accused's principal. Oosthuizen says punishment could range from a warning to expulsion from the consultant's association or even the industry.

Oosthuizen says the first step in the complaints procedure is to submit to the board details of the complaint in writing with as many of the relevant documents as possible.

Depending on its nature, the matter could either be referred to the ombudsman or handled by the board itself. He adds that a prime function of the board will be to assist the consumer in collecting more information.

"Even if the consumer does not have written proof supporting his complaint, he should still render his complaint to the board. The unresolved complaint will be kept on file and, if repeated, a behavioural pattern will emerge, justifying action to be taken against the consultant. It is important that we learn about the behaviour of a consultant — whether he is ethical or not."

Oosthuizen says a common complaint against consultants is the replacing of existing policies with new ones by a third party.

He adds that it is a fact that replacement of policies is never beneficial to the policyholder. "Because the cost-loading of new policies is up-front, it takes the new policy the first two or so years before the additional costs are absorbed."

Misrepresentation

He advises that where the policyholder is forced to restructure because of squeezed financial circumstances, he should approach his original consultant for advice and guidance.

Another common complaint, he adds, is that of the consultant misrepresenting to the policyholder regarding his credentials or even the terms of the policy.

"It is important for the consumer to be discreet in his selection of the consultant with whom he wishes to do business," advises Oosthuizen.

"Both the accreditation of ALSA or the qualification of FILPA are guidelines as to the consultant's professional maturity in the selling of life assurance," he adds.

In order to set clear guidelines for all parties in the industry as well as consumers, LUASA has prepared a blueprint of a code of conduct for consultants. This blueprint will be discussed and finalised within the industry.

Guardian National scores in first half

S Times

By TERRY BETTY

SHORT-term insurer Guardian National raised underwriting profit by nearly 400% and investment income by 17% in the six months to June compared with the same period last year.

Most insurers have lifted investment income by only 10%, say analysts.

Underwriting profit and income from investments combined to give Guardian a pretax profit of R46,1-million — 58% more than in the first six months last year. (Buss

Managing director Keith Nilsson says: "The company maintains a conservative investment policy, equities held being long-term blue-chip investments." 22/8/93

Investment assets rose by 26%, equities accounting for 43% of the portfolio, preference shares 23% and bonds 30%. (52)

All short-term insurers have benefited from the absence of major weather-related losses and a decline in the number and severity of fire claims.

Mr Nilsson says gross premium income rose 33% to R452-million in the first half.

Much of it came from the repatriation of business previously written abroad.

"We have seen a tremendous repatriation of insurance business for the last 18 months, largely as a result of Lloyd's losses."

Mr Nilsson says major international losses have resulted in a dramatic increase in the cost of reinsurance.

But he warns that smaller commercial business is 20% to 40% underrated and that increases of about 20% will be made on some accounts.

Donny: market 'has Libsil all wrong'

S/Times (Buss) 22/8/93

By CHERILYN IRETON

LIBERTY Life shareholders contemplating taking a stake in Liberty Strategic Investments (Libsil) should heed chairman Donald Gordon's comment that the market has misread the new issue.

Libsil nil-paid letters have had a relatively poor market reception in the past fortnight, dipping from an initial trade of 75c to a low of 7c before settling at about 33c on Friday.

Mr Gordon believes much of the early trade was speculative but that quality investor demand developed this week. Some 16-million rights have now changed hands.

Their performance has not been helped by analysts' reports that Liblife's prospects may be better than Libsil's.

Mr Gordon rejects these claims, saying Liberty Life's prospects are intimately tied to Libsil's success. "I'm quite sure that is incentive enough for us to make sure Libsil performs," he says.

(58)

It will cost Liberty about R114-million off reserves to issue the rights to its shareholders at a "generous" 10% discount to the market worth. The group's other option was to place the issue at full value with institutions.

Libsil will house R5,6-billion of the Liberty group's investments. They are its holdings in Standard Bank Investment Corporation, Bevcon (which owns slightly more than a third of SA Breweries), Premier Group and Gold Fields of SA Holdings.

Liberty Life this week changed its interim dividend policy, offering shareholders a capitalisation award instead of cash. The issue of 1,5 new ordinary Liberty Life shares for every 100 held translates to about 102c a share. The cash alternative is 80c a share.

Mr Gordon says the group is offering the generous terms in an attempt to induce shareholders to take the capitalisation share. The capitalisation dividend is not subject to secondary tax on companies (STC) which will result in a considerable saving to both Liberty and its shareholders.

Liberty's shareholders' funds rose by R1,4-billion to almost R10-billion.

DONNY GORDON: Libsil tied to Liberty Life Picture: JOHN HOGG

150 years on, Old Mutual steps up its financial pace

By JULIE WALKER

EVEN though Old Mutual has been going for more than 150 years, a large amount of its business was written in the past 10.

Premium income in 1984 was about R1,5-billion; in the year to June 1993 it topped R12-billion. S I Times

I asked Johannes van der Horst, general manager of investments, how a mutual society coped with new-business strain — a public company can always tap shareholders for more money, but one without shareholders cannot. (BUSS)

He said the rate of growth in new business had to be carefully controlled against the rate of cost increase.

Too slow a growth in premium income meant too little room to spread fixed overheads. But too rapid growth meant that business acquisition costs upfront dug into cash flow and also caused problems. 22/8/93

Several life offices have faced one or other of these problems lately and Dr van der Horst says it is an issue which will continue to claim victims.

JOHANNES VAN DER HORST

"We have kept a tight rein on overheads. Just because we have been around for so long is no reason to be complacent." (58)

Old Mutual's costs rose by 14% to R1,65-billion in the year to June, a period in which the inflation rate fell from above 15% to 10%.

Such rising costs might alarm were it not for the 17% climb in income to R17,4-billion. Premiums were up by a fifth to R12,3-billion and investment income a 10th to R5,1-billion.

Old Mutual paid R32-million a day to policyholders, R307-million in tax and transferred R7-billion to reserves.

Assets at market value on and off balance sheet topped R98-billion at June 30. Conventional life and group business and market-linked individual life business comprise two-thirds of the total. Pension funds, managed portfolios and unit trusts make up the balance.

Dr van der Horst says investors have moved from market-linked policies to guaranteed ones because of the unsettled environment and the JSE's volatility.

Average annual return over five years on conventional life business was 24,3%, whereas market-linked made only 20,4% and managed portfolios between 17,8% and 23,5%.

He notes the wide range of returns — 4,4% to 16% — achieved in the 1993 figures for managed portfolios.

"Those whose funds were at the lower end are spitting and some sacked us. But those at the top are smiling," says Dr van der Horst.

The range is too wide and ways to trim it are being looked at. Such variation arises partly because of the timing and quantity of investors' cash flows.

Not many sacked the Mutual judging by premium growth.

Dr van der Horst says many lump-sum investments were from retrenchment settlements.

The percentage of assets held in equity dropped from 65% to 59% in favour of gilts, which achieved a better return. Best shares were Stanbic and Nedcor with 42% price rises in the 12 months to June. Worst were Safren and Barlows — which, he says, was not pushed by Old Mutual to dismantle its head office. This runs contrary to popular opinion, but Dr van der Horst's word is not to be doubted.

He describes the Old Mutual's property-letting efforts as a success. The vacancy factor of 10% is one of the lowest — because of effective marketing.

Bank's duty of care on stolen cheques

BDay 23/8/93

58

LAW REPORT

In this occasional series, advocate MARK STRANEX looks at recent Supreme Court judgments, and especially those affecting business.

Fedgen Insurance Ltd v Bankorp Ltd
Witwatersrand Local Division
Judgment: June 18 1993
Judge: D H van Zyl

FEDGEN Insurance Ltd (the plaintiff) drew a cheque for R24 600 in favour of R H Johnson Crane Hire (Pty) Ltd. The cheque was sent by post to Johnson's insurance broker but was not received by the broker, having been stolen in transit.

The cheque was deposited at a branch of TrustBank, one of the trading divisions of Bankorp Ltd (the defendant). The reverse side of the cheque bore a stamp reading "R H Johnson Crane Hire, PO Box 22, Edenvale, 1610". This endorsement had been effected fraudulently.

The defendant then collected the sum of R24 600 from the drawee bank and credited the account of G E Williams and Company with that amount. The drawee bank paid the cheque in good faith and in the ordinary course of business, as envisaged in Section 83(1) of the Bills of Exchange Act (No 34 of 1964), and consequently was not liable to the plaintiff for the amount of the cheque. The plaintiff paid a further sum of R24 600 to Johnson.

The plaintiff and Johnson had an arrangement whereby cheques for amounts smaller than R100 000 were to be posted to it, and cheques for larger amounts collected. They had made no specific arrangement in regard to the stolen cheque. If a cheque sent to Johnson was lost after posting, the plaintiff normally bore the risk.

The defendant's teller, who had accepted the cheque for depositing, had considered that the absence of "(Pty) Ltd" after Johnson's name on the reverse side of the cheque meant that the payee's name, as given, was a trading name or an abbreviation coinciding substantially with the payee's name. She had not considered the endorsement to be irregular as it had not been altered in any way.

The plaintiff brought an action against the defendant for payment of the sum of R24 600, alleging it was the true owner of the cheque, and had suffered loss in that amount because the defendant had acted negligently in accepting and collecting the cheque, and had been obliged to draw a further cheque in favour of Johnson. The plaintiff based its allegation of negligence upon a duty on the part of the defendant not to accept the cheque.

The defendant denied it had been negligent or owed any duty of care towards the plaintiff. It denied that the plaintiff was the true owner of the cheque.

Judge van Zyl said that despite the arrangement concerning despatch of the cheque, there was no agreement that the plaintiff would, on a request or authorisation by Johnson, post cheques of less than R100 000. The plaintiff was therefore the true owner of the cheque.

On the question of whether or not the defendant owed the plaintiff a duty of care, the judge said there was a large amount of academic discussion characterised by controversy. The continuing theme of it had been that the owner of a lost or stolen cheque should be protected against actionable negligence on the part of the collecting bank, a notion that had met with approval in the Appellate Division case of Indac Electronics (Pty) Ltd v Volkskas Bank Ltd 1992 (1) SA 783 (A).

The duty was, however, counter-balanced by other protections offered to the collecting bank, including the absence of any onus to prove it was not negligent.

To determine whether or not the defendant acted in breach of this duty by not exercising reasonable care, it had to be determined what might reasonably be expected of a banker.

It was clear that nothing unusual or anomalous had attracted the teller's attention and nothing out of the ordinary had occurred to arouse her suspicion.

The fact that the endorsement might have been invalid in terms of the provisions of the Bills of Exchange Act was irrelevant. The plaintiff had therefore not proved negligence on the part of the defendant. The action failed.

☐ A full transcript of this judgment will appear in the September issue of Commercial Law Digest (Fax 011-3154550)

Investec nabs UAL's trust team

B/Day MATTHEW CURTIN

INVESTEC has poached a six-member unit trust marketing team from rival UAL in the latest bout of head-hunting in the financial services sector. 23/8/93

UAL senior GM Mike Farrell confirmed at the weekend that Peter Anschutz and five colleagues left the group's investment planning services division on Friday. Anschutz was MD and responsible for establishing the division at UAL. (58)

Farrell said he was disappointed by the the walkout. "We could not come to terms with the package Anschutz and the team were asking for," he said.

Investec asset management MD Hendrik du Toit, understood to have recruited the team, and group MD Stephen Koseff were unavailable for comment.

UAL has borne the brunt of recent resignations. Ten out of 28 staff at the UAL/Syfrets offshore trust company Associated Trust Company resigned last November, and UAL's project finance team quit earlier this year to set up its own company.

Farrell said UAL was confident its job packages were "right and fair", but it could not meet some demands, especially those insisting on equity stakes because of the company's position as an unlisted subsidiary of the Nedcor group.

He said increasing movement by people in the financial services sector was good in terms of creating new opportunities for other staff. Most of the UAL team would be replaced through internal appointments.

Mutual Banks Bill possible this year

THE Mutual Banks Bill, which allows the registration of informal banking institutions, might still be enacted this year, the Reserve Bank said. BIDay

The Bill allowed the creation of banks that were capitalised on the basis of mutual participation rather than equity shareholding, the Bank said in its annual report.

However, these mutual banks were required to meet prudential requirements and maintain standards of management expertise almost identical to those of conventional equity banks. 24/8/93

"This Bill therefore allows for the registration of 'informal' banking institutions and of the existing two permanent mutual building societies as mutual banks," it said.

In terms of the Bill, services offered by mutual banks should correspond to those offered by existing equity banks.

The minimum capital, reserve and liquid asset requirements generally conformed to those applicable to equity banks.

"It is envisaged that the mutual banks will encourage active participation and involvement by client-members in the welfare of these institutions," the Bank said. — Reuter.

58

COMPANIES

AVF Group shares depressed by Avins

B/Day 24/8/93

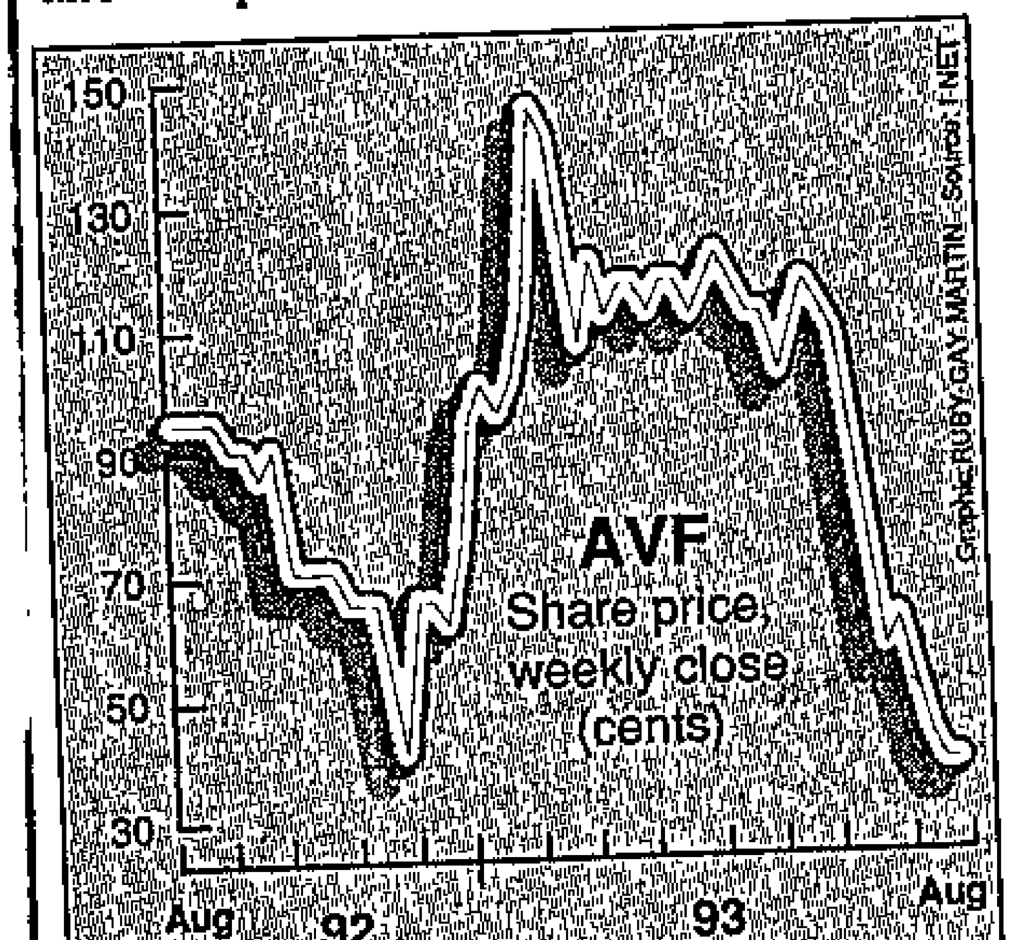
CHARLOTTE MATHEWS

NEGATIVE perceptions about insurance and financial services holding company AVF Group's investment in Anglovaal Insurance Holdings (Avins) had excessively depressed the share price, analysts said yesterday.

The price had fallen below the level which would reflect the value of its interest in the Board of Executors (BoE).

AVF Group shares closed untraded at 35c on the JSE yesterday, 25c below the level at which they were suspended after July 29. The listing was reinstated on August 4. The share's highest level in the last 12 months was 145c in February.

AVF Group holds 86% of Avins, a life assurance company with a majority stake in AA Life and listed Crusader Life Assurance Corporation (Crulife). Avins and Crulife shares remain suspended pending the outcome of an actuarial investigation. However, the companies recently warned that little or no value accrued to Crulife shares and Avins was not expected to earn any income from its investment in AA Life in the foreseeable future.



AVF Group's other major investment is 40% of BoE, whose shares closed at R13,00 on the JSE yesterday, giving BoE a market capitalisation of R169,2m. On AVF Group's 129,3-million issued shares, the value of its interest in BoE is worth about 52c a share. Even if the value of AVF Group's interest in Avins is taken to be nil, the shares are still trading at a discount of about 17c to their value based on their BoE holding.

Analysts said yesterday that AVF Group's share price could be depressed by anxiety about Crulife and AA Life, possibly by a perception that it might have to make some sort of contribution.

"It is hard to imagine where AVF would incur a liability of that sort that would not be passed through to Anglovaal," an analyst said.

(58)

However, another analyst said policyholders' money was also at stake. "If a company goes down, it will hurt policyholders. So there may be a moral obligation, if not a legal one, to help out."

As an example, he cited Anglovaal's subscription in 1992, with Absa Merchant Bank, for R35m of zero-coupon redeemable preference shares in AA Life.

Methold launch draws brisk take-up

(58)

CT 24/8/93

By MAGGIE ROWLEY
Deputy Business Editor

A TOTAL of 15% of the 140,6 million shares in black-controlled Methold had been subscribed for in the first 10 days of its launch, according to Franklin Sonn, a director of the company which controls Metropolitan Life.

In an interview following the city launch last night attended by about 150 prominent, and predominantly black, Capetonians, Sonn said the take-up was "extremely gratifying" as this response had come solely from the Johannesburg launch on August 13.

The share offer follows an agreement in May between Metlife, Sankorp and the IDC whereby Sankorp sold 10% of the issue share capital of Metlife to Methold with Methold having an option on a further 20%.

The deal has been financed through a R137m loan from the Industrial Development Corporation (IDC). This loan will be redeemed through the Methold share offer aimed exclusively at the black community.

Investors are being offered a minimum of 100 shares for R1 a share or compounds thereof. Investors are limited to 20% of the issued share capital or 10% for institutions.

Sankorp and Methold have also entered into a voting pool agreement in terms of which Methold has effectively gained control over Metlife making it the first JSE-listed company to be controlled by blacks.

The share offer closes on October 22.

Speaker after speaker last night urged black investors to buy shares to ensure black economic empowerment.

Sonn said the deal constituted one of the most significant steps forward in this regard and a heavy responsibility lay with black investors to participate.

Tony Yengeni, ANC Western Cape regional secretary, said his organisation pledged support for the initiative: "We are not embracing tokenism nor co-option but real ownership and empowerment of disadvantaged people".

Methold director Don Mkhwanazi said there were vested interests who still said that the future of black South Africans lay in the informal sector, which was nothing but survival economy.

For black economic empowerment to become a reality, strategies and plans had to be formulated to take advantage of financial structures and mobilise access to capital.

"The Metropolitan Life deal is the first of many deals that us as blacks should be looking into. If we don't buy shares we will be undoing all the good work that has been done. And if we remain outsiders in the economy of our country there can be no peace."

Black-owned insurer a 'major step forward'

BRUCE CAMERON (58) ARCG 24/8/93
Business Staff

BLACK economic empowerment would only come when there were significant black shareholdings in public companies, a significant number of black company directors and active black management at company levels, Peninsula Technikon Rector Dr Franklin Sonn said.

He was speaking at the Cape Town launch of a black-owned insurance holding company.

Dr Sonn, who is a director of the new company Methold, which will have a 10 percent share stake in Metropolitan Life, said yesterday the step by Sanlam to create Methold was one of the most significant steps forward to black economic empowerment.

"It signifies real ownership."

He warned there could be no political empowerment without economic empowerment.

He told the more than 150 people present at the launch that it was through the same route that Afrikaners became economically empowered.

He pointed out that 92 percent of Metlife new business was with blacks and 75 percent of the staff was black.

Another director, Mr Don Mkhwanazi, a former president of the Black Management Forum and a Durban business entrepreneur, accused "vested interests of attempting to keep blacks out of the real economy".

The vested interests believed blacks should remain in the informal and small business sectors.

"The informal sector is nothing but a survival sector. It is not economic empowerment."

There was nothing wrong with the informal sector as it provided more jobs than the formal sector.

But without real economic power political power would not be effective.

And, he warned, if blacks did not get a real stake in the economy there would be no peace.

The launch of Methold, which has seen 15 percent of the shares sold in the first 10 days, was also supported by Western Cape ANC regional chairman Tony Yengeni.

He said that Methold was in line with ANC policy of economically empowering people who had been disadvantaged by apartheid.

The shares in Methold are being sold in R100 lots at 100c a share.

Sale of the shares will be restricted to members of "the African, Coloured and Indian communities".

Although Methold will only have a 10 percent share in Metlife and an option to buy a further 20 percent from the Sanlam subsidiary Sankorp, which controls the assurance company's industrial empire, it will have a majority on the board of directors on Metlife.

The prospectus for Methold as well as application forms for shares are available from any branch of Metropolitan Life, Nedbank, The Perm or The African Bank.

Application forms, together with payment for the shares, must be received by Friday, October 22.

M&F improves its underwriting surplus

B/Day 26/8/93

CHARLOTTE MATHEWS

SHORT-term insurer Mutual & Federal had improved its underwriting surplus by more than a quarter to R66,6m in the year to June from R52,5m as a result of the absence of natural disasters and more appropriate pricing of poorer risks, it said yesterday.

Gross premium income increased by 12% to R1,45bn from R1,29bn. Mutual & Federal MD Ken Saggers said about 80% of the growth in premiums was generated internally. Net premiums lifted to R1,23bn from R1,1bn. Investment income increased by 2% to R147,2m (R143,8m).

The lower company tax rate boosted profit by about R12m. Income before extraordinary items lifted by one-fifth to R166,0m (R138,8m). However, the lower company tax rate led to an extraordinary charge of R7,4m as the opening balance of the deferred tax asset was reduced. Net income after the extraordinary item was R158,6m (R138,8m). Earnings lifted to 353c a share from 297c and the dividend was improved to 87c (68c).

The 2% improvement in investment income, attributable to the decline in interest rates and static dividend growth, had been satisfactory considering prevailing economic circumstances, Saggers said. It compared favourably with others in the industry whose investment income had declined or whose portfolios were boosted by inflows of new funds.

(58)

In May Mutual & Federal completed renewing its reinsurance premiums for the financial year beginning July 1. It had noticed a substantial increase in rates as capacity on the international reinsurance market had contracted sharply over the past 12 months.

Effects of the recession would continue to be seen in a high incidence of claims from theft, arson and fraud, Saggers said, but crime rates were no worse than they had been a year ago. He hoped positive economic forecasts would translate into sustainable growth leading to more employment and less crime.

Mutual & Federal's total assets were R2,78bn (R2,52bn) at year-end. Its solvency margin, the percentage of net assets to net premiums, is 150%, against 140% last year.

M&F income boosted 19%

(58) CT 25/8/93

By ARI JACOBSON

SHORT-term insurer Mutual-& Federal increased taxed income by 19% to R166m (R139m) for the year to June helped by organic growth and the absence of any natural disasters.

The final dividend was increased by 33% to 57c (43c) a share, raising the total dividend distribution by 28% for the year to 87c (68c) a share.

The directors pointed out that the group had increased dividends paid by 30% per year for the last seven years.

Gross premium incomes amounted to a 12% rise at R1,45bn, the underwriting surplus improved by 26% to R67m and the investment income component was up marinally at R147m to provide the 19% increase in earnings a share at 353c (297c) a share.

The group's solvency margin remains strong at 150%, for the financial year supporting assets which now totalled R2,7bn.

MD Ken Saggers said the higher premium income was "primarily attributable to organic growth" which was "satisfactory" given the ongoing fierce competition in the industry.

Sagger added that the large underwriting surplus was "largely due to the absence of a natural disaster" although he said the group had to deal with "a number of large fires and crime-related losses continued unabated".

He said the pricing of risky portfolios had been affected by "strict underwriting standards" which in turn helped profitability.

Saggers was quick to point out that the insurers expense ratios were the lowest in the industry.

But static dividend growth and declining interest rates impacted on the investment income component.

He said: "the nuts and bolts of our business is looking after the interests of our policyholders and this revolves around the satisfactory settlement of claims."

In the past year R900m worth of claims were handled and the group now processes 1 200 claims per day, he said.

The Mutual & Federal share price has gained 53% over the year to close yesterday at R46 (R30) a share.

Solid performance by Mutual & Federal sees net income rise

Star 25/8/93

An improved underwriting performance and the lower corporate tax rate lifted Mutual & Federal's (M&F) net income by 14 percent to R158,6 million in the year to June (R138,8 million a year earlier).

Steady growth in premiums resulted in a 27 percent increase in the underwriting surplus to R66,6 million. (58)

MD Ken Saggers says the lower company tax rate contributed R12 million to the bottom line.

An extraordinary item of R7,4 million from the change in the corporate tax rate was incurred as a result of a reduction in the opening balance of the deferred tax asset.

This depressed net income from R166 million (before the extraordinary item) to R158,6 million.

Earnings a share rose 19 percent to 353c (297c).

M&F is paying a final dividend 13c higher at 57c a share, resulting in a 28 percent increase in the total dividend to 87c (68c).

Saggers says the effects of the recession are likely to continue to manifest themselves in the high incidence of claims arising from theft, arson and fraud.

However, he hopes current positive economic forecasts will translate into sustainable growth, leading to job creation, higher levels of employment and a reduction in crime. — Sapa.

Stals dampens rates cut hopes

(58)
CT 25/8/93

From GRETA STEYN

JOHANNESBURG. — Reserve Bank governor Chris Stals yesterday sent a clear message to the politicians to work out their differences or face further damage to the battered SA economy.

In his address yesterday, he placed major emphasis on the need for caution in monetary policy — putting a damper on speculation of an imminent cut in Bank rate. He signalled the need for utmost care in the face of unrealistic expectations and dwindling foreign exchange reserves.

Pressure on SA's foreign exchange reserves could be alleviated if political agreement on two key issues could be reached — the rescheduling agreement on foreign debt in the standstill net, and access to IMF and World Bank finance.

Delays in settling the issues contributed to uncertainty in the international financial community about SA's ability to meet its future financial commitments. These issues were being negotiated "within the complex SA political process" and could not be decided conclusively on underlying economic and financial conditions alone.

'Political settlement is urgent'

"They do, however, have a profound effect on the current depressed business mood. It is in the interest of the SA economy that these issues be resolved as soon as possible," Stals said.

He also noted "the protracted (political) negotiation process" and violence had joined forces with the drought to have a major negative effect on the course of the economy over the past 18 months. The phase of business uncertainty had been prolonged and the recovery in investor and consumer confidence delayed.

After more than four years of painful contraction, there was a growing impatience for economic recovery. The high and growing levels of unemployment were obviously aggravating violence.

A cool-headed approach was now more necessary than before to avoid "adding fuel to the growing flames of unrealistic expectations." The monetary authorities had to guard against the temptation of yielding to the increasing pressures for an "early" stimulation of a weak economy.

Stals acknowledged SA's interest rates were high in real terms, but said they reflected the declining propensity to save, capital outflows, and the large government deficit. "As long as these circumstances prevail, macro-economic stability will not be tenable without relatively high rates of interest."

SA now needed financial stability "more than ever before".

Supervision no longer RB function

(58)
CT 25/8/93

JOHANNESBURG. — Reserve Bank governor Chris Stals's desire to create an "arm's length" relationship between banking supervision and the Bank has been realised.

Last year Stals expressed the Bank's wish to get rid of the responsibility for banking supervision

This desire was spurred by the spate of bank failures and financial scandals, including CIB, Alpha Bank and Masterbond.

In his governor's address yesterday, Stals said the Bank would no longer bear responsibility for the Registrar of Bank's policy actions. The move would avoid any conflict between the Bank's functions.

Accountability would rest with the newly formed Policy Board for Financial Services and Regulation.

When the new board was annouced in June the government extended regulatory authority for the banking sector to the Finance Minister, but decided to keep the Registrar of Banks with the Reserve Bank.

Stals said the new arrangement would enable the establishment of an "arm's-length" relationship between the Office of the Registrar and the Reserve Bank.

Commenting on the new Mutual Banks Bill drawn up by the Registrar of Banks, Stals said it could serve as a useful bridge between the informal and formal sections of the financial sector. The bill allowed for the registration of "informal" banking institutions through capitalisation with mutual participation rather than equity shareholding.

Stals pledges to support rand

Business Staff ARG 25/8/93 (58)

PRETORIA. — Reserve Bank governor Chris Stals has ruled out a continuous depreciation of the rand as a solution to South Africa's economic woes.

Dr Stals also indicated that under the current circumstances — and in the interests of macro-economic stability — relatively high interest rates were here to stay.

Although he admitted at the general meeting of the Reserve Bank here yesterday that there was fairly wide support in South Africa for a continuous depreciation of the rand, Dr Stals said adherence to such a policy would imply the country would also have to contend with the effect of the currency depreciation on domestic prices.

He warned that subsequent rises in the average cost of production could easily wipe out any competitive gains which South African producers could obtain from a depreciation.

"This danger was illustrated by recent events when the effective depreciation of the rand since September last year was soon followed by a rise in the rate of increase in the prices of imported goods.

"Measured over periods of 12 months, this rate rose from 3,1 percent in December 1992 to 6,8 percent in June 1993," he said.

Dr Stals said a depreciation of the currency could only be of lasting benefit to local producers in an environment of low domestic inflation, and provided it was supported by a restrictive monetary policy geared to the achievement and maintenance of domestic price stability.

"Thus, a depreciation can only stimulate growth and employment if workers in the country are prepared to accept a decline in real wages.

"In other words, workers should refrain from demanding higher wages as compensation for the rise in import prices caused by the depreciation."

Special fund to protect premiums

BRUCE CAMERON (58)
Business Staff

A SPECIAL fund has been established by the Financial Services Board to protect premiums of thousands of policy holders of troubled health insurer Crusader Life. ARGT 26/8/93

The announcement of the special fund was made yesterday after the company was placed under provisional curatorship by the Pretoria Supreme Court after an outside evaluation of the financial state of the firm.

The move indicates problems in the company are more serious than disclosed when Crulife was declared a closed fund after it announced on August 3 that it was in serious financial difficulties.

But Financial Services Board insurance manager F J Opperman has given an assurance that policy holders will receive priority over shareholders in the event of liquidation.

A number of question marks hang over the Anglo Vaal subsidiary, which had established itself as a leader in the health insurance market but has written no new business since the announcement of its financial troubles.

In short order the Rowan brothers resigned from their positions as chairman and managing director earlier this year and the shares slid from 410c in February to 135c at the time of the announcement of its financial problems on August 3. Other directors, including former Democratic Party MP Marius Barnard, were stunned when told, at a special meeting earlier this month, of the company's sudden turn-around.

Several investigations are underway — including a Johannesburg Stock Exchange investigation into insider-trading.

Mr P J Badenhorst, executive officer of the FSB, said existing policy holders wanted to maintain their policies by making premium payments.

"It is thought prudent that the curators be allowed to receive such premiums but to hold the premiums in a separate transmission account for refunding to policyholders."

Mr Badenhorst said the court would have to decide on refunds should it become apparent that the financial position of the business is "so unsatisfactory that liquidation is inevitable."

The partial protection would apply only to premiums paid after Crulife was placed under curatorship.

The curators are investigating whether Crulife has the ability to meet its liabilities towards policy holders and creditors; whether there may have been any irregularities or offences committed by the companmy, its management or auditors and actuary; and on the viability of the business.

Genbel bows out with poor results

B/Day 26/8/93

ANDY DUFFY

INVESTMENT company Genbel's final year as part of the Gencor group ended on a low note as weak commodity prices across its portfolio suppressed earnings.

The company said it would undergo a major restructuring — including a possible renaming — in an effort to transform itself into a Morgan Stanley-style international investment bank.

Genbel sources said it had given itself two years to cut the discount between its share price and the underlying value of its assets. If not, Genbel could unbundle, dissolving itself in the process.

"This would do us out of a job," one insider said, "but it would be the best way to secure value for our shareholders."

Earnings on the company's R3,4bn portfolio rose just 5% to 35,8c a share, as poor market conditions cut the returns from main investments Engen and Sappi.

Genbel relied heavily on transaction surpluses, which rose to R442m (R143m), mainly as a result of the R1,2bn share swaps in June with Gencor and Sankorp.

Chairman Tom de Beer said the rand's weakness and the recent rise in gold and platinum prices were "the only positive factors for many of our investments during the year." The dividend rose 6% to 36c.

The results are the last Genbel will post as part of the Gencor group. Ties will be cut when the mining house unbundles next month.

Genbel's portfolio, of which nearly two-thirds comprised basic industries, would be rejigged to cut the exposure to assets such as Engen and Sappi. (58)

The company would focus instead on asset and risk management, and funding programmes. It had taken groups such as Morgan Stanley, the Hanson Trust, and Salomon Brothers as models.

Genbel's investment bank, Unisen, which posted profits of R38m (R33m), was likely to form the core of the new set-up.

Cronshaw said: "For an asset base of R3,4bn, we're not getting any kind of the returns that they (the role models) are."

The company was also determined to cut its discount to net asset value. At the start of the week the share price stood at 630c, leaving a 16% discount.

Executive director Peter Cronshaw refused to be drawn on the unbundling prospect. He said cutting the discount was "the challenge facing us".

Half of the value of Genbel's portfolio — R1,7bn — was made up of precious metals and minerals following the June reshuffle, while its mining assets fell from R175m to just R30m. Forestry and paper products moved up in value from R311m to R363m.

Cronshaw said the company was considering plans to act as a financing partner for major shareholder Sankorp. There were two possible deals on the table.

HCI raises R100m in cash

CHARLOTTE MATHEWS

HOSKEN Consolidated Investments (HCI), the holding company of insurers IGI and Saflife, is raising R100m in cash by selling Saflife's funeral and credit life business to Fedsure for R60m and through a R40m equity participation in the company by management, it said today. B/BA4

The announcement ends weeks of speculation after HCI chairman Michael Lewis said in June he was planning to strengthen the group's financial structure. It had incurred heavy losses on several investments, including Tollgate Holdings, Time Holdings and Abacus. 26/8/93

Earlier this month talks between HCI, Fedsure and Investec, which would have seen an equity injection of about R100m, were terminated.

In terms of today's agreement, HCI's structure will be partially unbundled to streamline operations.

Former Investec Bank executive director Larry Nestadt will become HCI Group executive chairman. He will lead a consortium of existing and new executives, which will "provide management who are confident about the prospects off a larger capital base with a significant equity stake".

Asked if he would replace Lewis, Nestadt said: "We are talking to executives and deciding on the structure."

He would not specify whether management's equity participation would involve the sale of some of Lewis's stake in HCI, estimated at 20% of the issued share capital, or the issue of new shares.

Nedstadt said the R40m equity participation was entirely financed by management and directors "from inside and outside the organisation". (58)

The expansion of its capital base would enable IGI Insurance to continue its growth on a controlled basis and its management would focus on its core business.

The sale of Saflife's funeral and credit life business to Fedsure would be accompanied by the transfer of about 9% of its staff. Saflife MD Paul Cushway said the company would concentrate on its niche businesses.

BUSINESS DAY, Thursday, August 26 1993

Pressure builds for an increase in commercial insurance rates

BDay 26/8/93

CHARLOTTE MATHEWS

PRESSURE is building for a major increase in commercial insurance rates, leading short-term insurers said yesterday.

They said rates were 20% to 40% below the levels suggested by the high cost of reinsurance, and insurers would rectify the shortfall.

They did not foresee any immediate increases for domestic insurance and doubted the rise would be in the 20% to 40% range.

Insurers said certain classes of commercial insurance were more underrated than others. Motor insurance was well controlled, while fire and crime were in danger of becoming loss leaders.

"Commercial rates, such as fire rates, have been going down since 1969/70 and are now at the lowest they have ever been," Fedgen MD John Towsey said.

He said the trend in world insurance rates had been similar.

SA Eagle Deputy MD Brian Wilkinson said the cost of reinsurance rose by 30% to 40% in 1992 and between 60% and 100% in 1993.

(58)

Commercial Union MD John Kinvig said rate increases varied from company to company and between different classes of reinsurance, with the sharpest rise in catastrophe and excess of loss reinsurance cover.

Mutual & Federal MD Ken Saggers said commercial premiums, as opposed to rates, were also coming under pressure from April's rise in VAT and from inflation, which is increasing the value of the property insured. Domestic premiums were likely to rise in line with inflation, he said.

Insurers agreed the commercial insurance market was competitive and increases would be difficult.

Guardian National MD Keith Nilsson said the company would be "very pleased" to see a 20% increase in commercial rates. Wilkinson felt a 20% to 25% increase would be reasonable. Kinvig said a 20% to 30% increase would "make me a lot happier."

Most insurers believed commercial rates were unlikely to start rising before the end of the year.

Crulife placed under curatorship

CT 26/8/93

Own Correspondent

JOHANNESBURG. — Troubled Crusader Life, which stopped all new business this month, has been placed under immediate provisional curatorship after an outside evaluation of its financial state.

This follows an application brought in the Pretoria Supreme Court yesterday by Registrar of Insurance Piet Badenhorst.

Anglovaal, which indirectly controls Crulife, said Badenhorst was acting at the request of Crulife's directors after they received an interim valuation report from the external valuator.

Crulife's provisional curators, former Metropolitan Life chairman Willem Pretorius and Hofmeyr van der Merwe Inc senior partner Billy van der Merwe, will submit a report to the court on Crulife's ability to meet its liabilities towards policyholders and creditors. They will also report on "any irregularities which may have occurred and offences which may have been committed by the company, its management or auditors and actuary".

They will report on the business's viability and ways of ensuring the company's continued existance.

The provisional curatorship was intended "to ensure the equitable treatment of all interested parties, pending receipt of the final actuarial report", Anglovaal said.

The move follows this month's announcement that Crulife would not take on new business and that its directors considered there was "little or no value attributable to ordinary shareholders".

The directors said the company was undertaking its annual actuarial review and its updated financial position was expected to be ready by October.

Crulife's shares have been suspended from the JSE since July 29, as have the shares of its parent, Anglovaal Insurance Holdings (Avins). Avins is 86% held by AVF Group, which is 57% held by Anglovaal. Crulife's shares had slid to 135c at the time of the suspension from 410c in February.

The most recent figures from Crulife were those presented in March for the six months to December 1992. They showed assets at R104,5m, up from R54,1m in the same period in 1991, while liabilities were R9m (R20,5m). The life fund had doubled to R214,3m from 1991's R107,1m.

Financial Services Board long-term insurance manager Oppie Opperman said the board wanted to ascertain the position of Crulife in the interests of policyholders.

Many policyholders wished to pay premiums to ensure that their cover was intact, the board said. The curators would be allowed to receive these premiums, but would keep them in a separate transmission account to refund policyholders if necessary.

Crulife executive chairman Dave de Beer declined to comment.

Provisional curatorship for Crulife

Star 26/8/93

The assurance business of Crusader Life Assurance (Crulife) was placed in provisional curatorship by the Supreme Court yesterday.

The application was brought by the Registrar of Insurance, Piet Badenhorst. (58)

Crulife ceased to write new business earlier in the month as a result of uncertainty over the financial soundness of its current business.

Willem Pretorius and SW "Billy" van der Merwe were appointed provisional curators.

They will take immediate control of the management of the business and report on:

- The ability of Crulife to meet its liabilities;
- Any irregularities which may have occurred and offences which may have been committed by the company, its management or auditors and actuary;
- The viability of the business and the manner in which its continued existence may be ensured.

Premiums

Badenhorst said many policyholders wanted to make payment of premiums in order to ensure their cover was kept intact.

"It is thought prudent that the curators be allowed to re ceive such premiums, but to hold them in a separate transmission account for refunding, whether in full or proportionally, as the court may direct, should it become apparent that the financial position of the business is so unsatisfactory that liquidation is inevitable." — Sapa.

Financial giant promises lower rents

(58)(7222)

TOM HOOD, Business Editor

HUNDREDS of businesses will have office and factory rents lowered when their landlord, Old Mutual, passes on reductions in municipal rates levied by the Cape Town City Council.

The insurance giant could save millions of rands from the revaluation of Cape Town properties, which is estimated to lower rates on commercial buildings in the main business areas by about 30 percent.

The rates portion of commercial rentals is about R4 a square metre.

"We aim to give any savings back to the tenants," said Mutual's new property chief Ian Watt.

"We don't know what other property owners are doing but we aim to give our tenants a fair deal and make sure they are happy with the service they get."

Mutual is the country's biggest landlord, owning R8,5 billion worth of commercial buildings.

Record letting of 599 000m² — the equivalent of 120 football fields — was signed by Mutual and tenants in the year to June 30, said Mr Watt.

Supporting the rates cuts for businesses, while home owners face shock increases, Anton Musgrave, chairman of the Western Province regional committee of the SA Property Owners' Association, said the new valuations recognised the growth in residential property values had outstripped the growth of commercial property values.

ARGT 26/8/93

"The residential rates rebate has been increased from 26 to 35 percent. This means the commercial sector continues to subsidise residential property," he said.

Assurers press govt for a fairer tax deal

BDay 27/8/93

CHARLOTTE MATHEWS

PROPRIETARY life assurers are holding talks with government to establish a principle for a fairer tax system , Life Offices Association executive director Jurie Wessels said yesterday.

Redressing tax imbalances would coincide with the introduction of the four-fund approach to taxing life offices, he said. .

The four-fund approach, introduced in terms of the Jacobs Committee report, provides for life assurers to be taxed at the average marginal rate of tax for individuals on non-retirement funds; for retirement funds to be exempt from tax; and for corporately-owned life policies and the balance of the assurers' assets to be taxed at corporate rates. This system would be phased in over three years.

Life offices had an agreement that during the phasing-in period of the four-fund approach they could use one of two tax calculations — either the old tax rate of 43% on everything but retirement business, or the four-fund approach, whichever was the higher. In most cases, the old rate of 43% was the higher, Wessels said.

"We agreed to the phasing-in period because we could see that the tax collectors were going to take a dip in revenue if we changed from one formula to another," he said.

(58)

A reduction in the corporate tax rate for trading companies to 40% in 1993 from 48% in 1992 accompanied the introduction of Secondary Tax on Companies (STC) at 15% on cash dividends paid.

However, proprietary life assurers were still paying tax at the 1992 rate as well as being liable for STC.

The problem did not arise for mutual companies, which did not have to pay STC.

In a press conference earlier this month for Liberty Life's interim results to June, chairman Donald Gordon said the reduction in everyone else's tax rate but the life assurers was "an anomaly".

Wessels said the proprietary life assurers were trying to establish a principle whereby they would be exempt from STC while paying tax at 43%. Once this had been done they would raise the question of refunds to assurers that had already paid STC.

Cliff-hanger for SA forex reserves

CT 27/8/93 (58) (~~148~~)

From GRETA STEYN

JOHANNESBURG. — SA was unlikely to receive any funds from the IMF before next year, Reserve Bank deputy Governor Jaap Meijer said yesterday.

He said the formalities of applying for the special drought-related facility, which was mooted earlier this year during State President F W de Klerk's visit to the USA, had not yet progressed far. Once the formalities had been completed, there would be a lag before the finance, about R2,8bn, was received.

Market expectations of IMF finance before the end of the year had fuelled bullish sentiment on interest rates. However, Reserve Bamk Governor Chris Stals this week provided no hope for a boost to SA's foreign exchange reserves. He reiterated his concern with the country's vulnerable external position in a speech yesterday morning.

Sapa reports Stals said: "It is ... vital we have renewed access as quickly as possible to international financing." A strong post-recession surge in imports could wipé out SA's foreign reserves in six months.

Addressing a business breakfast in Johannesburg, Stals said gross foreign reserves of R7,4bn at the end of July 1993 were equivalent to only 1,5 months of imports compared to almost 2,5 months at the end of the previous 1984-86 recession.

He said the mid-1980's economic downswing had typically resulted in a deficit on the current account which would then be transformed into a surplus that lasted well into the subsequent recovery.

Deterioration

However, the current account surplus had deteriorated over the last year and in the first three months of 1993 before recovering to an extent in the second quarter.

The situation had been exacerbated from June last year with a large outflow of capital reflecting the on-going political turbulence and violence.

Stals estimated if imports were to expand by similar percentages to the import growth experienced after the past two recessions, South Africa's súrplus on the current account would turn into a substantial deficit.

However, Dr Stals did not believe the economy was on the brink of major growth after four-and-a-half years of recession, despite a healthy rise in gross domestic product in the first two quarters of this year.

"The economy has changed direction and is perhaps at the bottom of the (downward) cycle, moving on a horizontal plane ... Not only from the production side (of the economy) but also the expenditure side we don't see any major recovery, but we do see some levelling out."

Economic growth should be encouraged by creating confidence and giving markets the opportunity to work effectively, he proposed.

"To solve the very serious problems in the economy, we come back to a basic confidence in the private sector and leave it to them to do the development."

Dr Stals re-iterated his commitment to creating a stable financial climate by protecting the value of the rand and encouraging lower inflation. This would help to create the confidence neccessary for sustained economic development.

"The legacy we can give to a new South Africa is to keep financial stability," he said, noting inflation was tending downwards.

INVESTEC

Fm 27/8/93

Growing rand hedge qualities

(58)

Activities: *Banking, property and financial services.*
Control: *Investec Holdings 50,3%.*
Chairman: *B Kardol; MD: S Koseff.*
Capital structure: *31,5m ords. Market capitalisation: R1,1bn.*
Share market: *Price: R34. Yields: 2,6% on dividend; 5,5% on earnings; p:e ratio, 18,1; cover, 2,1. 12-month high, 3 400c; low, 2 150c. Trading volume last quarter, 119 000 shares.*

Year to March 31	'90	'91	'92	'93
Total assets (Rbn) ...	1,26	2,88	3,87	5,60
Advances (Rbn)	0,98	1,91	2,59	3,34
Attrib profit (Rm)	17,5	24,0	33,2	54,0
Return on average equity (%)	23,5	22,4	19,9	15,5
Return on average total assets (%)	1,6	1,5	1,4	1,4
Earnings (c)	87,5	120,0	152,0	188,3
Dividends (c)	40	56	70	90
Tangible NAV (c)	413,2	676,0	1 127	1 413

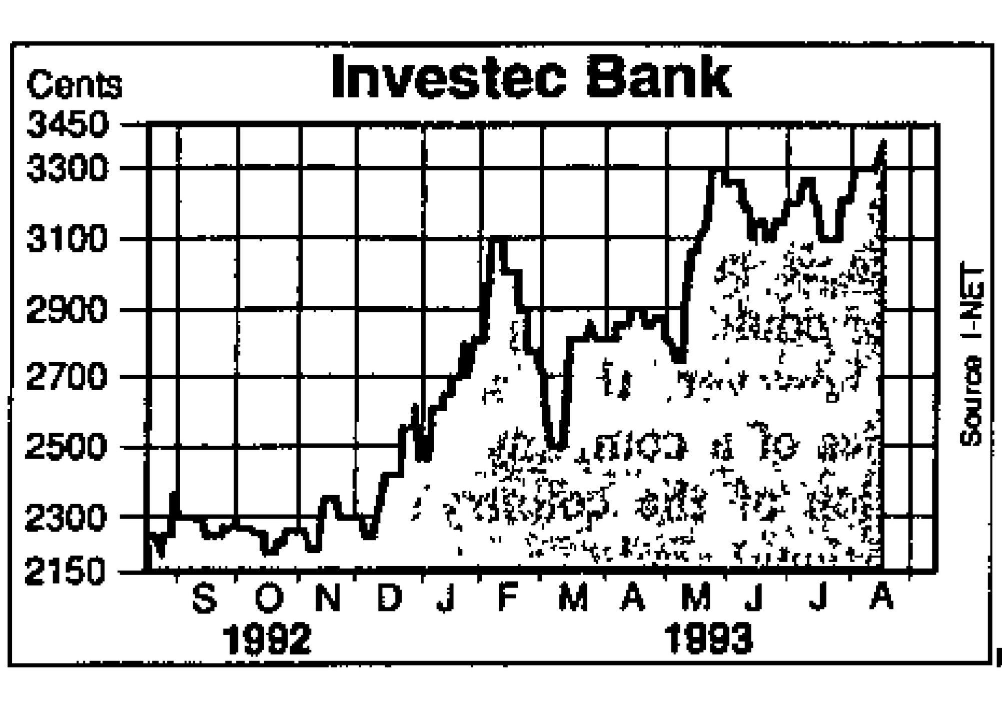
Fuller disclosure from Investec Bank should attract increasing attention to its diversified activities and rapid expansion — as well as its bullish share price, which has appreciated more than 50% over the year.

Trading was difficult and some of Investec's operating units had a tough 1993 year. The 23,9% advance in EPS, on a 15% increase in issued ordinary shares (diluted EPS growth was 21,6%), is laudable. Shareholders were rewarded with a 28,6% bigger payout (holding company Inhold increased its dividend by 55,6% to 56c a share).

Poor performers were the property division, encompassing a broad range of activities from trading, broking and leasing to fund management, and trade finance business Reichmans. Neither contributed to profit.

But Investec, not sympathetic to underperforming assets, has already taken remedial action. The residential property management division, which MD Stephen Koseff says was "staff-intensive," has been sold.

Reichmans' New York operation has been closed, the size of the London office halved, and administration in Johannesburg streamlined and soon to be housed within Investec's head office, which will bring further savings. The number of directors has been reduced and the board restructured, which Koseff says positions Reichmans to grow in a "sound and controlled manner."



Investec's Kardol ...
joint product development

More positively, the previous year's share-swap alliance with Fedsure is showing tangible benefits, with the insurance group contributing about R7,9m to Investec's profits (see tables). Chairman Bas Kardol says both groups have been working on joint development of new financial and insurance products and the sharing of client networks. He expects benefits soon.

The highlight was the acquisition of Allied Trust Bank (ATB) in London from Barclays Plc, a significant move towards Investec's strategy of developing its international operations.

Apart from Reichmans, Investec has financial advisory, trading and management operation Integro in London and other European capitals. The addition of nine months' results from ATB, which focuses on marketing cash-based investment products and high interest current accounts to the British retail market, as well as specialised lending, has increased the offshore contribution to earnings from the year-ago 32% to 41%.

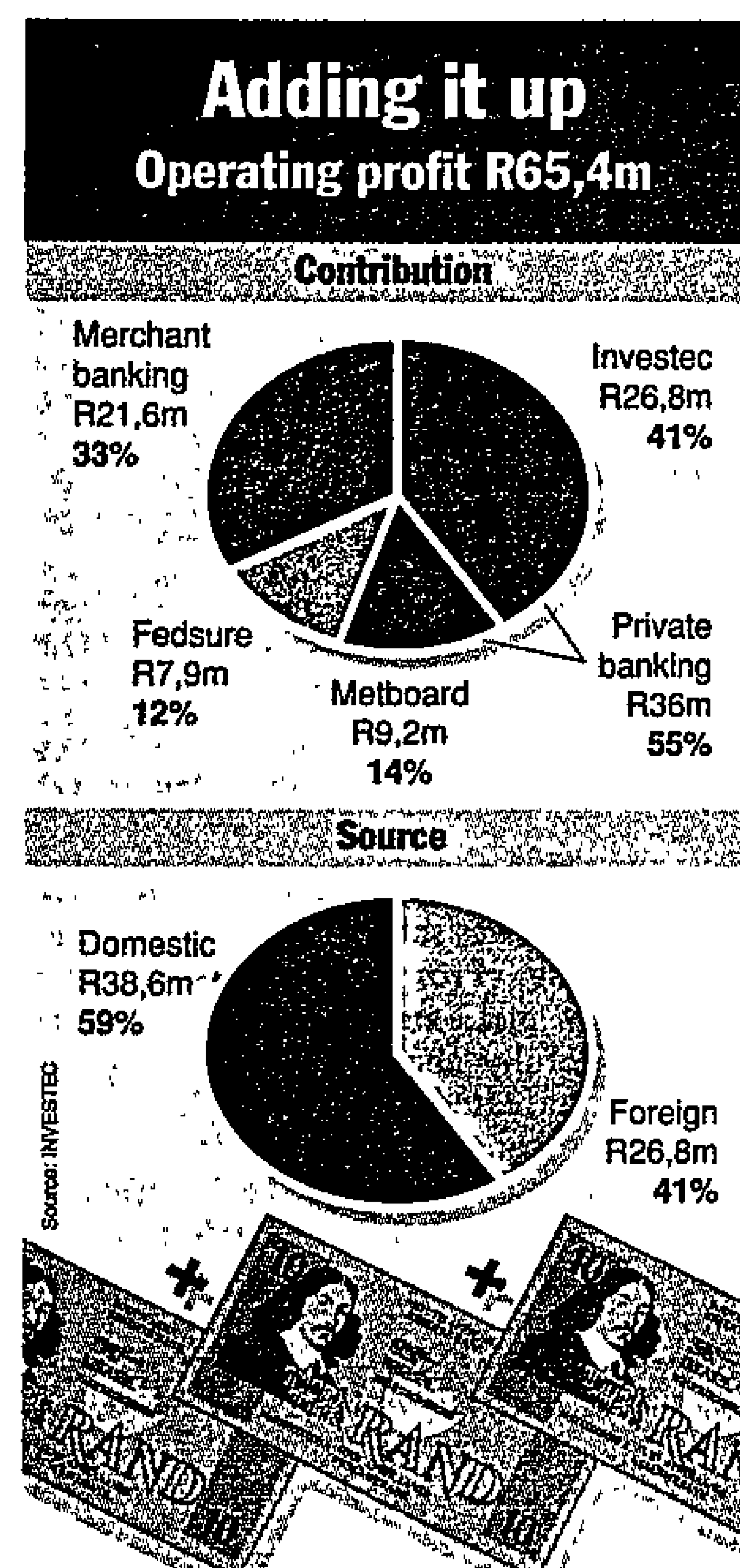
Koseff expects the non-rand contribution to increase this year, which adds a growing rand hedge dimension to Investec's shares. Consideration will also be given to merging ATB and Integro. Koseff says this will give the group a well-balanced portfolio of international business less dependent on margin income.

But the R184m acquisition, settled by issue of 4,1m ordinary shares and 2m convertible prefs, must raise questions about Investec's rapid growth and predilection for issuing paper. Organic growth accounted for R478m of Investec's 45% growth in total assets; the ATB acquisition accounted for the rest (R1,3bn). Koseff admits organic growth in assets slowed down "due to the decline in quality lending business" and expects the long-term trend of organic growth outpacing growth through acquisitions to continue.

The effects of recent acquisitions, including the share swap with Fedsure, show in the declining return on shareholders' funds — at 15,5%, the lowest in at least 10 years.

Koseff says return on capital ignores the gain on equities made by Investec. Competitors, some of whom get returns above 30%, often emphasise return on shareholders' funds as one of the best measures for a merchant bank. Again, Koseff points out Investec's business is not comparable. For example, he says, shares for the ATB acquisition were issued into a harder currency environment, where inflation was less than 2%. "If you bring currency and equity gains into the number, our return on capital would be very different, maybe more than 40%."

Koseff says Investec, if it wants to be an



cont → P.T.O.

Reserve Bank flexes muscles for new SA

CLAIRE GEBHARDT (S8) ArG 27/8/93

JOHANNESBURG. — The Reserve Bank appears to be flexing its muscles to take on the new South Africa.

"Just a difference in emphasis," is how Reserve Bank Governor Chris Stals describes the conflicting viewpoints of the Reserve Bank and Minister of Finance Derek Keys about the state of the economy.

But observers believe otherwise — they believe Dr Stals is ramming home his determination to maintain the Reserve Bank's independence.

Last week, Mr Keys waxed lyrical about the economy's "magnificent" performance and said he had "spotted" the turning point in January, "and there are plenty of Reserve Bank indicators to prove it".

However, Dr Stals, in his annual economic report this week, was at pains to point out that there were no clear signs of an upturn.

Speaking at a Johannesburg Chamber of Commerce and Industry (JCCI) business breakfast yesterday, he reinforced the message by warning that the economy could go down instead of up.

He also reiterated the message contained in his address to the Reserve Bank AGM on Tuesday that any future excessive government spending and/or hikes in wages and salaries would not be masked "behind a veil of money creation".

Increased Budget deficits would have to be financed by tax hikes and/or by borrowing from the capital markets, he said.

He implied that if he remained in his post, and if the government continued to spend in the face of a restrictive monetary policy, it would simply lead to higher unemployment.

He also warned that an economic upturn, with increased imports, could wipe out South Africa's foreign reserves in just six months.

"Total imports are now about R70 billion, and 30 percent of that is R20 billion. We have only R7 billion available on the current account - this means our foreign reserves could disappear in six months."

Dr Stals said South Africa had lost R7 billion, or half its reserves, "accummulated with great pain", over the past year.

"This means we have to have access to global markets and International Monetary Fund (IMF) facilities."

Capital outflows were running at almost a R1 billion a month, much of which related to foreigners who were not prepared to roll over loans or make new ones available.

"Overseas investors will continue to take their money out as long as they lack confidence in the country.

"So a change in the exchange rate will have almost no effect on the outflow of capital."

Dr Stals said total factor income available for distribution from production in the first half of 1993 had increased by only 9,5 percent in nominal terms.

"This means that if either labour or business wants more than a 9,5 percent share, the other must take less.

"So, if anybody claims increased wages of more than 9,5 percent, it can only happen if somebody else gets less than 9,5 percent."

Declining savings were also cause for alarm, he said.

"A few years ago, savings constituted 26,5 percent of total income (16,5 percent in 1993).

"If you take gross domestic product (GDP) of just over R300 billion, then this 10 percent decline represents R30 billion of savings, which should have been available for social spending, but has now gone because people are saving less."

Dr Stals said South Africa faced the problem of a debt trap because of the growing deficit.

"It is not difficult to finance in the present climate, but it will become a problem in an upturn," he said.

Concern over lapses, surrenders

Insurance firms under attack

Star 28/8/93

58

BRUCE CAMERON

THE growing number of insurance policies surrendered or allowed to lapse is causing anxiety in the industry.

An investigation has shown:

- Dubious hard-sell tactics by some brokers often lead to commissions equal to more than one year of the premiums being paid by policyholders.
- Selective information being distributed by some of the life offices in seeking new investors and policyholders.
- A confusing array of products that makes comparisons difficult.
- Commission structures that encourage the selling of unsuitable or unaffordable policies.
- Lack of measures to protect and educate policyholders, who are often unaware of many of the contractual aspects of policies.
- Secrecy in many companies.

Opposed

The report of the Government-appointed Registrar for Assurance for 1992, which is due to be released soon, is expected to show further significant increases in the number of surrenders and lapses.

Lapses occur when

No choice but to pay up

THE first year's premiums on assurance policies often go directly to the brokers or agents, while the insurance companies claim a few more years to cover the costs of issuing the policy and for management fees.

George Marx, head of the actuarial science department of Pretoria University, says in his book on buying assurance that the life offices are structured so as to force individuals to deal through commission agents or brokers.

The commission structure is set down by regulation 28 of the Insurance Act.

Life Offices Association executive director Jurie Wessels said in reply to Saturday Star questions that theoretically commissions were negotiable below the maximums.

"In practice ... the maximums have become standard."

The commission for a single premium policy is up to 2,5 percent of the amount paid.

The commission for an ordinary recurring premium policy is equal to

are being pointed at the hard-sell idea that "people don't buy insurance — it has to be sold".

The situation has been highlighted by the action taken by Norwich Life recently to recover more than R4 million in commission paid to two brokers for policies that have lapsed.

Brokers' associations and life offices are aware of the problems caused by some brokers chasing high commissions instead of meeting the needs of clients.

Some disciplinary measures are in place — but measures such as cooling-off periods which would entitle policyholders to no-cost cancellations have been difficult to introduce.

One measure is the so-called S-rating of blatantly unscrupulous brokers who are blackballed by all life offices.

Complaints

An assurance ombudsman mediates claims and disputes. The current incumbent is Mr Justice J P C Kotze, who has seen a steady increase in the number of complaints. He says his powers to act are limited. He has, however, made a number of recommendations.

Among some brokers' more dubious practices listed by industry spokesmen are:

Methold launches new prospectus

Business Staff

LIFE assurance companies were urged last night to divert their huge incomes from "endless" shopping centres and office developments into housing, health and education.

Launching the new Methold prospectus — aimed at promoting "black economic empowerment" — at a function in Durban, its chairman, Dr N Motlana, said the insurance industry clearly had the capacity to channel "the latest economic power of our people".

Methold's prospectus offers, for public subscription, 140 620 000 ordinary shares at R1 a share. It says an effort will be made to place the shares mainly in the hands of the black, Indian and Coloured communities, with whom Metlife has primarily conducted its business.

(58) ARG 28/8/93

Metlife is one of the country's five largest life assurance companies.

Describing the backround to the offer, Dr Motlana said in May 1993, Sankorp, Metlife and the IDC announced a deal "to promote black empowerment" in terms of which Sankorp sold 10 percent of the issued share capital of life assurer Metlife to Methold.

Methold will be controlled by black shareholders and has been granted a five year "call option" to buy another 20 percent of Metlife's issued share capital held by Sankorp

Sankorp and Methold also have entered a voting pool agreement under which Methold gained control of Metlife.

The prospectus makes a pro forma forecast of net income of R3,89 million (R3,26 million) for the year ending September 1993. It forecasts EPS of 2,8c (2,3) and dividends of the same amount, broken down into an interim of 1c (0,8) and final of 1,8c (1.5).

The offer includes a mechanism to limit the size of any one shareholder to no more than 20 percent of the equity.

CAPE BUSINESS

No-interest Muslim bank is growing by leaps and bounds

S1 Times CC (Metro)

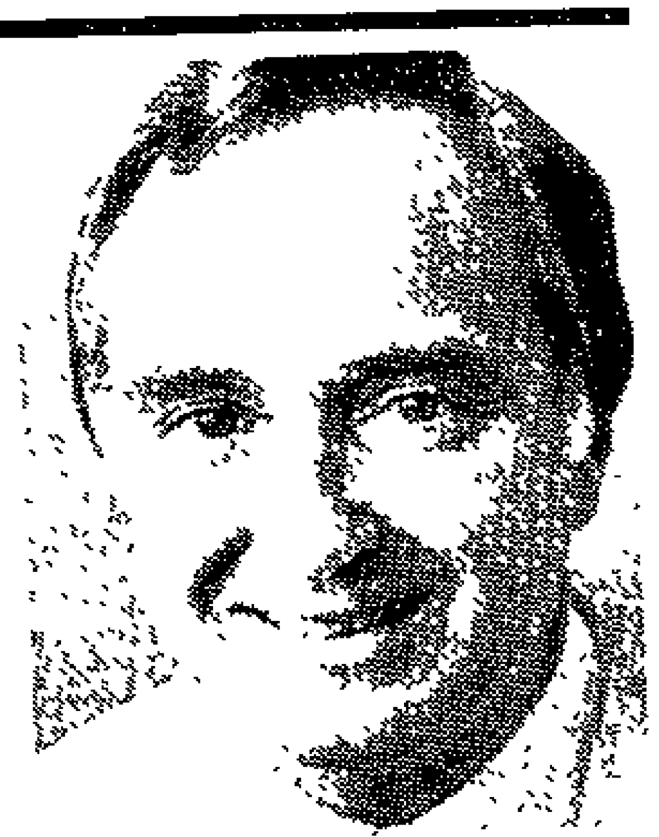
29/8/93

By JEREMY WOODS

MUSLIMS running their banking activities according to the Qur'an through the Albaraka Bank may not be paid interest as such — but they have the satisfaction of knowing their bank is growing fast and making big profits.

And judging by the latest set of sparkling results in Albaraka Bank's annual report, the philosophies of the Qur'an are working wonders for the bank's business and balance sheet.

Edited by JEREMY WOODS



Albaraka Bank, based in Durban with offices in Pretoria and Cape Town, reports profits after tax up by 81 percent, earnings per share up 81 percent and an increase in the dividend from 30c to 40c.

(58)

Meanwhile, the bank's deposit accounts have almost doubled in the past year from R34-million to R62-million.

Over the past four years Albaraka has shown remarkable growth.

For instance, four years ago, earnings per share were 10c a share. This year they were just over 67c a share.

One of the golden rules of the Qu'ran is that interest must not be made or given on money deposited. Nor must such a transaction be witnessed.

So how does the Albaraka Bank flourish under such circumstances? How can its customers see a profitable return on money deposited?

"While Muslims are not allowed to accept interest on their money, we can make a return on our money by making a profit," says Albaraka chief executive Ebrahim Vawda.

"On the deposit-taking side for example, we accept a deposit on a profit-sharing basis. If a client deposits R100 with the bank, we invest that money. If we earn R10, the bank takes 30 percent while the customer gets the remaning 70 percent. But if the investment makes a loss, then the client has to accept this."

"However," adds Mr Vawda, "to date, no depositor has lost money by investing in the bank.

But is there any real difference between interest and profit, if the customer or bank receives more money at the end of the day?

"Our whole objective is development-orientated, promoting business, growth and employment. There is the world of difference in just receiving guaranteed interest and taking a risk for which we are entitled to a just reward," says Mr Vawda.

Julie Walker

S Times (Buss)

CU's bushel of light

COMMERCIAL UNION has much to blow its own trumpet about.

Managing director John Kinvig says: "It is claimed that we hide our light under a bushel."

After a visit to management, I can say with confidence that this reclusive company is a good one.

The last I knew, it had half-changed its name to Commercial Union of SA and restructured itself into three subsidiaries covering the short-term and long-term insurance markets and a services company handling non-insurance interests, including investments.

Since this happened in January 1992, the share price has trebled to R91 still fewer than 12 times historic earnings. One drawback is tradeability — 90% is held between UK parent Commercial Union (36%), Absa (30%) and Gold Fields of SA (24%), leaving staff and public with a million shares between them.

In the six months to June, CU's net income was R33,5-million. More than half the group's R708-million gross premium income was from the life business, dispelling a notion that CU is mainly a short-term operator.

CU's investment performance has been excellent, according to figures from independent broker First Bowring. Only four of the 22 funds covered in its survey for the 12 months to June 1993 did better than CU. The quartet all manage portfolios of under R500-million whereas CU's is worth R1-billion.

Year-on-year CU achieved a 16,6% return on investment. Using the same criteria over 10 years, CU has been second-best overall with a compound annual return of 20,5%.

JOHN KINVIG: Rather a predator Picture: COBUS BODENSTEIN

2/9/8/93

Investment manager Alex Murray attributes the success to CU's preference for good-quality equity and its low exposure to property.

"Fortune favours the bold and the patient," he says.

CU's view is that the new SA will take shape within five years from the installation of the transitional executive council.

(58)

CU says the free-market economy will persist, but the new rulers will not always be friendly to business. Government intervention will increase, in such matters as wages and labour regulations. CU expects tax to increase, something which encourages it to invest in companies that are already paying full tax.

CU believes that the economy will grow and there will be redistribution of income, wealth and opportunity. Inflation will remain high after a possible lull and the rand will continue to decline.

Mr Murray says investment selections will be made bearing these factors in mind. CU will avoid any company that has relied on price maintenance. That group includes sugar, wine and cement operators which have relied on regular price increases.

Labour-intensive industries are also to be avoided from an investment point of view, as are those seen to be captives of inflation and unable to compete in the face of increasing input costs.

Opportunities lie in investing in companies to benefit from income and wealth redistribution. Consumption of basic commodities, food, beer and tobacco will rise as more people move up to or above the breadline.

Mr Murray says SA has pools of expertise among exporters, particularly of metals and minerals, food and military equipment (he loves Reunert).

CU will also look at unbundling opportunities, gross domestic fixed investment companies and those to gain from mass electrification.

As a Life Officers' Association member, CU has already contributed to the R500-million of Eskom promissory notes issued to fund expansion of the national grid.

Property will be revisited, but not soon. Only 8% of CU's managed-fund assets are in property — the lowest of any SA assurer.

It will look for opportunities in fixed-interest investments, but recognises the limitations of cash in an inflationary environment.

Mr Kinvig says the three large shareholders are likely to stay aboard.

CU of Britain stuck by its SA associate in spite of the loss of business in the UK during sanctions. Some Scottish teacher organisations withdrew their pension fund money from CU in protest.

But as Mr Kinvig points out: "We would rather be predators ourselves."

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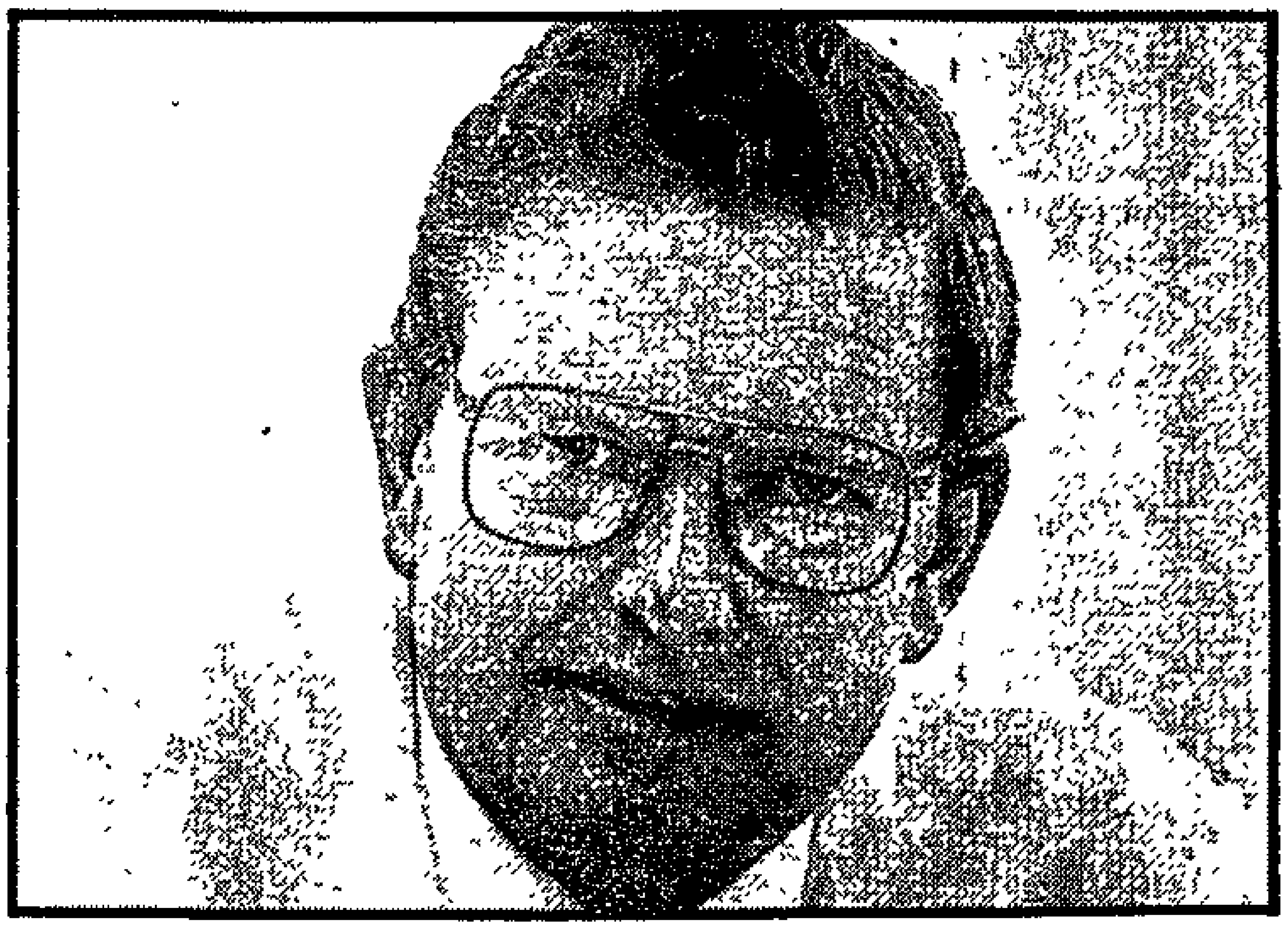

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Strike at Old Mutual

ARG 30/8/93

(58)

SHARON SOROUR
Labour Reporter

HUNDREDS of workers at Old Mutual head office in Pinelands are on strike.

According to the Transport and General Workers' Union, about 350 workers stopped work today over wages and conditions of service.

A spokesman for the union's shop steward committee said a dispute was declared in June and attempts at resolving it through mediation and a conciliation board hearing failed.

The union held a strike ballot and 85 percent of workers voted in favour of taking strike action, he said.

Workers were demanding a 12,5 percent average monthly increase while management was offering 10 percent.

"But the main issues are job security and backdating the offer to July 1.

Old Mutual wanted workers to agree to a flexible arrangement which could include their moving from one department to another.

● An Old Mutual spokesman confirmed the strike. The company offer was "about 10 percent", which amounted to an increase of R120 a month.

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● An Old Mutual spokesman confirmed the strike. The company offer was "about 10 percent", which amounted to an increase of R120 a month.

Old Mutual strikers defy court order

Labour Reporter APCT 31/8/93

STRIKING Old Mutual workers have defied a Supreme Court interdict ordering them to vacate the reception area and main banking hall of the insurance giant's Cape Town head office.

More than 100 workers occupied the offices yesterday, but by the time the order was served only about 35 remained, said company spokesman Phillip Sack.

The interdict ordered workers to leave the building and refrain from interfering with customers using the banking hall, said Mr Sack.

But they refused to leave the building and allegedly crumpled up the order and threw it back at the court official.

"They are still here ... we have not enforced the order yet because we are not keen to involve the police until the situation becomes critical," he said.

The company would meet representatives of the Transport and General Workers Union this afternoon to discuss the strike by general workers and security staff.

About 350 workers went on strike over wages and conditions of service on Monday after voting for industrial action in a strike ballot.

Attempts at resolving the dispute through mediation and a conciliation board hearing failed.

Workers were demanding a 12,5 percent average monthly increase, with management offering about 10 percent, a union spokesman said.

A company spokesman said the offer amounted to an increase of R120 a month.

Listed assurers dispute mutuals' claim to gains

B/Day 3/8/93

CHARLOTTE MATHEWS

SA's mutual assurers claim they are gaining market share; but listed assurers argue it is difficult to measure and that statistics are inconclusive.

SA's life insurance market is dominated by four companies — mutual companies Old Mutual and Sanlam and listed companies Liberty Life and Southern Life.

Southern Life marketing services GM Ed Pryor said their dominance might indicate "a move towards a shake-up in the market".

Mutuals, pointing to the Fortune Magazine ranking of the top international 50 life insurance companies by assets, say the strength of mutual assurers is a worldwide phenomenon. But according to Fortune's latest survey, published in August, half the 50 top life insurance companies are mutuals, down from 33 in the 1992.

A life assurance industry source said there were many ways of looking at market share, including total assets, investment income and benefits paid out, and all were correct.

Another source said the question of market share was nebulous: "Statistics to back it up are virtually non-existent. You have to isolate assets as SA assets and non-SA assets.... You have to decide whether market share in the life industry includes group employee benefits. There is also a lot of double counting as one life assurer can invest a portion of its assets with another life company."

(58)

The Financial Mail's annual Top Companies Survey, which ranks life insurance companies by assets, shows Old Mutual, Sanlam, Liberty Life and Southern Life have remained the top four assurers for several years. Old Mutual and Sanlam owned assets worth R147,4bn in December 1992. Liberty Life and Southern Life owned assets worth R53,7bn. Two years earlier Old Mutual and Sanlam owned assets totalling R93,7bn, while those of Liberty Life and Southern Life added up to R35,8bn.

The figures show 57,3% growth in assets for the two mutuals between 1990 and 1992 against 50% growth for the two listed assurers.

SA life assurers submit detailed figures for premium income written to the Life Offices' Association twice a year. The association does not publish a breakdown of each assurer's performance but releases total figures, enabling companies to work out their market share.

An authoritative industry source said the best measure of market share would be new business written.

According to the Top Companies Survey for 1993, Old Mutual's new premium income grew 22,3% against 1992's and Sanlam's 23,9%. Liberty Life improved new premium income 30,9% and Southern Life's grew 26,9%. The top performer was unlisted Norwich Life, with a 107,1% rise. Norwich Life was ranked ninth by assets in 1993.

Old Mutual chief operating officer Gerhard van Niekerk, who maintained that the company was increasing its market share, said the persistency of new business written was important and that actual premium income received and assets were the most relevant measures of market share. He suggested the the mutuals had grown as they had because of "more efficient distribution forces".

"Mutuals are good at selling, have good products and offer good value for money. In a stock company you have to distinguish what is due to the shareholder and what is for the policyholder. The strength of the mutual is that in his case the shareholder and the policyholder are the same person," he said.

Being a mutual company did not guarantee success. In SA 10 years ago there were seven or eight mutuals; now there were only two.